Statement by

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Member
Board of Governors of the
Federal Reserve System

before the

Subcommittee on International Trade

of the

House Banking and Currency Committee

May 19, 1971

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Mr. Chairman, I appreciate the opportunity to present the Federal Reserve Board's views on Title II of H.R. 8181. This Title would prohibit any restraint under the Voluntary Foreign Credit Restraint Program on export credit granted to foreigners by U.S. banks or other financial institutions.

The Board does not believe that this Title of the bill should be enacted.

Overview of the Voluntary Foreign Credit Restraint Program

The Voluntary Foreign Credit Restraint Program -- the VFCR, as it is generally known -- is part of an overall U.S. Government program to reduce the deficit in the U.S. balance of payments.

Each element of the overall balance-of-payments program is aimed at restraining capital outflow from the United States. The VFCR restrains capital outflow through banks and other financial institutions; the Foreign Direct Investment Program does so through regulating outflow from U.S. corporations to their affiliates overseas; and the Interest Equalization Tax limits outflow resulting from the purchase by Americans of foreign stocks, bonds, and other equity and debt securities.

Any appraisal of the VFCR should be made in the context of the overall program of which it is a part and in the light of the reliance which the Government continues to place on the other programs to which the VFCR is intimately related.

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In formulating and administering the VFCR Program, all elements of our balance of payments have been kept in mind. In particular, careful attention has been given to the relationship between measures on capital transactions and our policy of aiding in the growth of our exports.

The VFCR Program constitutes a request by the Federal Reserve System that all financial institutions exercise restraint in lending of all types to foreigners and in making any other investments abroad. The request is embodied in a set of Guidelines. All U.S. banks and other U.S. nonbank financial institutions have been invited to volunteer their cooperation in observing specific ceilings and principles; all U.S. agencies and branches of foreign banks have been asked to act in accordance with the spirit of the Guidelines. A fuller account of the organization and functioning of the VFCR is provided in the Appendix to this statement.

Mr. Chairman, given the Board's assignment in the overall U.S. Government balance-of-payments effort, I would like to note at the outset the unusual nature of the approach taken in Title II of H.R. 8181. It is a proposal for <u>statutory</u> action to change a program which calls for a <u>voluntary</u> response by U.S. private institutions. As I will indicate below, and as the Appendix to my statement shows, the Board has always been ready to change

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the VFCR when the evidence demonstrated that a change was needed to enhance the Program's contribution to our balance-of-payments objectives. The Board will continue to review the VFCR Guidelines, and it will readily revise the Program as the need arises.

Mr. Chairman, at this point, I will turn to the proposal. In doing so, I would like, first, to describe briefly how export credits are now treated under the VFCR Guidelines. I will confine my remarks almost entirely to the Guidelines as they apply to banks -- principally because the issue of export credits and the Title II directive would have greater relevance to banks than to the nonbank financial institutions.

Treatment of Export Credit under VFCR Guidelines

All banks have two sets of ceilings within which they are to keep their outstanding loans to foreigners and their investments abroad: a General Ceiling and an Export Term-Loan Ceiling. The General Ceiling applies to all categories of foreign assets -- by which is meant all types of loans or other credits extended to foreigners and all types of other foreign investments. The Export Term-Loan Ceiling applies to loans to foreigners with an original maturity of over one year and which finance the export of U.S. goods or the performance of U.S. services abroad. Within these two ceilings, there are a few subceilings and other supplementary restraints. For example, one of those supplemental restraints, in effect, asks banks

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not to channel their own funds into short-term assets abroad merely to obtain a financial return.

From the earliest days of the VFCR Program, the Guidelines have requested that, within their ceilings, institutions give priority to credits that finance U.S. exports. You will find that request stated specifically in the opening sentence of the Guideline text.

Also from the inception of the Program, bank credits in which the Export-Import Bank is involved were exempted from the Guideline Ceilings. As the exemption is expressed in the present Guidelines, credits which are extended by banks or by nonbank financial institutions and which are guaranteed or participated in by the Eximbank, or insured by Eximbank's affiliated Foreign Credit Insurance Agency (FCIA), or guaranteed by the Department of Defense are not subject to Guideline restraint. The exemption was created in the knowledge that the export financing activities of the Eximbank and the Department of Defense would be reviewed in the National Advisory Council on International Monetary and Financial Policy in which the Federal Reserve is represented.

Export credits have also been exempted from several special restraints in the Guidelines. In particular, banks are not to make any new loans of a maturity of over one year to residents of the developed countries of Continental Western Europe, _except_ for loans which finance U.S. exports. Similarly,

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banks are to hold their short-term credits to such residents to 75 per cent of the end-of-1967 level, <u>except</u> for credits which finance exports.

When the Guidelines have been revised to increase ceilings or to establish procedures so that banks without ceilings might adopt them -- and thereby be able to engage in foreign lending -- special effort has been made to earmark the new lending latitude for export financing. This has occurred many times.

In the first revision of Guidelines at the end of 1965, a change in the ceiling formula gave some banks an increment in lending leeway. They were asked to use that latitude exclusively for export credits and credits for less developed countries.

In the spring of 1969, banks were offered two alternative methods for calculating their ceilings. The formula was framed with the intent, and had the effect, of significantly increasing the ceilings of small and medium-sized banks. The increase in the aggregate amounted to almost $0.5 billion. This was significant in relation to total ceilings of all banks -- which amounted to about $9 billion. It was even more significant for the banks which benefited most directly, since they accounted for only a minor fraction of the $9 billion of existing ceilings. One of the most important reasons for the increase and for its allocation to the smaller banks was that it would improve their opportunity to finance exports.

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In December, 1969, each bank was given a second ceiling to be used exclusively for loans of over one year maturity that financed exports. Since that date, every bank has had a General Ceiling and an Export Term-Loan Ceiling. The creation of the second ceiling added about $1-1/4 billion in lending latitude, all for exports, to the approximately $10 billion of aggregate ceiling then in existence.

In drawing up provisions to guide banks which have had no ceilings but which have proposed to adopt them -- and to guide the Federal Reserve Banks which consult with them to arrive at specific ceilings -- the potential concentration on export financing has had top attention. The Guidelines today permit new entrants into the foreign lending field to adopt ceilings up to a certain limit, but those ceilings -- the General and Export Term-Loan Ceiling taken together -- are to be employed "predominantly" for export financing.

Finally, a general exception in the Guidelines has significance for export financing. That is the exemption of Canada from the Program. Since early 1968, bank loans and all other types of credit extended to residents of Canada have been exempted from the Guidelines. This exemption was adopted for the VFCR and for the other U.S. Government balance-of-payments programs, notably the Foreign Direct Investment Program, in light of the special relationship between

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the two economies and in light of safeguards the Canadians imposed to prevent Canada from becoming a "pass-through" for U.S. capital into other parts of the world. This geographic exemption serves as an important exemption for export financing, since Canada is the most important single foreign national market for United States exports.

Impact of the VFCR Program on Export Financing

In keeping the administration of the Program under constant review, the Board has watched closely for any evidence that the savings in capital outflow might be offset by a loss of exports or even by a shortfall in the increase in exports for which we are striving.

Last year, as we were moving toward the time when decisions would once again be made about the possible extension and revision of the several capital restraint programs, the Board undertook a separate inquiry into the possible effect in 1970 of the VFCR on export financing and on exports. That inquiry went to the heart of the question represented by this bill. The results gave us information valuable for the decisions the Board was to take -- and that Congress, by virtue of H.R. 8181, is asked now to take.

With the cooperation of the Department of Commerce, the Board drew up questions to be asked of banks and of U.S. exporters about efforts made in 1970 to obtain credit for foreign buyers of U.S. goods. The full report, including the content of the questions

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asked, was released by the Board on January 7, when the revised Guidelines were issued. I will present the highlights and submit a copy for the hearings record.

The key questions asked of banks which accounted for over nine-tenths of loans subject to the Guidelines were: (1) had they turned down loans requested on behalf of foreign buyers of U.S. exports because of the Guidelines and (2) if so, what then happened to the contemplated sale. An effort was then made to question the exporters involved. As a further check, inquiries were made of a sample of 100 exporters across the country to ascertain their experience in getting U.S. bank financing for foreign customers in the light of the VFCR.

The results of the inquiry were striking. It was reported that the VFCR had resulted in the denial of export credit in only a handful of cases. Moreover, the VFCR had virtually no adverse effects on U.S. exports themselves. About a dozen exporters were purportedly denied credit initially because of the VFCR. However, in almost all cases, they found other sources of financing to complete their sales. (See Table 1, attached).

As a by-product of the inquiry on possible effects of the VFCR on exports, our staff undertook another inquiry to ascertain the portion of total loans under VFCR Ceilings that financed exports.

The results of this staff study, released March 3, 1971, and which also I submit for the Committee's record, showed how banks have employed their lending leeway with respect to exports.

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Of loans under VFCR Ceilings late last year, 17 per cent were documented export credits. (See Table 2.) Of loans subject to ceilings plus loans exempted from Ceilings because they were Eximbank-related or Department of Defense-related, 22 per cent were to finance exports. The staff paper noted many statistical and analytical qualifications, and I stress here that the figures do not purport to be comprehensive or precise. But they are based on banks' records and evaluations. They suggest strongly that banks do have the capacity -- within the ceilings -- to finance exports.

We have also looked at the record of utilization of Export Term-Loan Ceilings as an indicator of the Program's possible effect, if not on exports, on export financing. You will recall that these ceilings were created at the end of 1969 in the aggregate amount of $1-1/4 billion to provide new leeway for export credits of over a year maturity -- referred to as term loans. We realize that, in the financing of exports, short-term credits are of greater magnitude than term loans. However, we decided to provide additional lending leeway for term loans to meet the contention that credits of over one year were crucial if U.S. exporters were to match the financing terms being offered by exporters in foreign countries.

As of the end of March, fifteen months after the Export Term-Loan Ceiling had been made available, banks had used only

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17 per cent of it. Even this figure is an inflated indicator of its utilization. If we look also at the figures showing repayments of term loans for exports that banks had granted before the new ceiling became available and compare them with the figures showing new credits of this type placed on their books since that time, we find that outstanding export term loans subject to VFCR ceilings have grown by only $67 million. Aggregating almost $1-1/2 billion today, the Export Term-Loan Ceiling constitutes virtually an unused exemption.

Reasons for Not Exempting Export Credits from VFCR

If the VFCR has had little adverse effect on exports and if the restraints have not been substantially holding back export credits, why should there be Federal Reserve opposition to the exemption proposed by Title II?

A complete exemption of export credits from the capital restraint effort would weaken -- not improve -- the overall U.S. balance-of-payments program.

First, exemption would lead to an increase, possibly to a large increase, in credit but not to an equivalent increase in exports.

Second, exemption would undermine the effectiveness of the whole set of U.S. capital controls. For example, if export credit were removed from restraint, attention would have to be given to tightening up on other forms of credit to foreigners and other forms of

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investments overseas. It is highly questionable that we could successfully intensify restraints in various credit areas to compensate for the loss of restraint on export credits.

Finally, there is as much need today -- perhaps even more need than ever -- to restrain the outflow of funds from the United States. Particularly in the face of our continuing large balance-of-payments deficit and of the large short-run capital outflows, we should take the greatest care to avoid weakening the stand we have taken, in the common interest, to moderate the flow of U.S. capital into foreign markets. Any relaxation of our capital controls could jeopardize the international monetary cooperation which we have been helping to build.

There is today no shortage of capital to finance foreign purchase of U.S. goods. The Board at no point has denied that the restraints may limit the opportunities of an individual bank to provide export financing. But the fact remains that in the banking system of this country as a whole, including the network of foreign branches of U.S. banks that are outside the Guidelines, and in the financing systems available in other countries -- particularly in those which have strong balance-of-payments surpluses -- there is adequate credit to ensure the growth of U.S. exports.

For these reasons, Mr. Chairman, the Board does not believe that Title II of H.R. 8181 should be adopted.

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Table 1

Summary of Banks' and Exporters' Responses to Inquiry on the Effects of the VFCR on Export Financing and on Exports

	Banks								Exporters 1/			
F.R. Dist.	No. of banks responding	No. of banks rejecting loan because of VFCR	No. of loans rejected	Value of loans rejected (000's)	No. of exporters identified	No. of exporters acknowledging rejection	Export sale completed	Possible net loss of sales (000's)	No. of exporters responding	No. of exporters reporting rejections	Export sales completed	Net loss of export sales (000's)
1	12	1	1	$200	1	1	Yes	0	11	1	Yes	0
2	10	0	0	0	0	0	-	0	73	4	Not all	$18,000
3	8	0	0	0	0	0	-	0	4	1	No	$1,200
4	10	0	0	0	0	0	-	0	4	0	-	-
5	7	1	1	Unknown	0	0	Unknown	Unknown	-	-	-	-
6	6	1	3	$100	2	0	Yes	0	1	0	-	-
7	20	0	0	0	0	0	-	0	12	0	-	-
8,9	5	0	0	0	0	0	-	0	6	1	Unknown	-
10	4	0	0	0	0	0	-	0	-	-	-	-
11	13	2	4	$1,450	2	0	Yes	0	9	1	No	$2,000
12	14	2	2/2	$300	0	0	Unknown	$300	9	0	-	-
Total	3/109	7	11	$2,850	5	0		$300	129	8	-	$21,200

1/ Exporters not identified initially by banks but drawn from separate sample.

2/ One bank said it rejected many loans, but that it kept no records. This case is listed here as one rejection.

3/ These 109 responses came from 113 commercial banks surveyed. The non-responding banks all had very few outstanding foreign credits subject to the VFCR.

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Table 2
EXPORT CREDIT UNDER VFCR CEILINGS AND UNDER EX-IM, FCIA, AND DEPARTMENT OF DEFENSE VFCR EXEMPTIONS
(millions of dollars)

	(1) Outstanding Credit Subject to VFCR	(2) Export Credit Subject to VFCR	(3) Exim, FCIA, DoD Exempt Credits	(4) (2)+(3)	(5) (2) as % of (1)	(6) (4) as % of (1)+(3)
All VFCR banks (167)	8,841	--	--	--	--	--
All banks in inquiry (72)	8,208	1,374	628	2,002	17	23
17 Largest banks (over $100 mn foreign assets)	7,235	1,161	543	1,704	16	22
All others (55)	973	213	85	298	22	28
By Federal Reserve District						
Boston	156	22	14	35	14	21
New York	4,970	926	397	1,323	19	25
Philadelphia	203	33	11	44	16	21
Cleveland	179	12	21	33	7	17
Richmond	65	30	1	31	46	47
Atlanta	30	2	12	14	7	33
Chicago	822	105	84	189	13	21
St. Louis, Minneapolis and Kansas City	46	12	7	19	26	36
Dallas	41	19	2	21	46	49
San Francisco	1,696	213	79	292	13	17

NOTE: September 30, 1970, data, except August 31 data for New York projected to September 30.

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Appendix to Statement by

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The Organization and Functioning of the Voluntary Foreign Credit Restraint Program

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Appendix

THE ORGANIZATION AND FUNCTIONING OF THE VOLUNTARY FOREIGN CREDIT RESTRAINT PROGRAM

The Voluntary Foreign Credit Restraint (VFCR) Program is a part of an overall Government program to reduce the deficit in the U.S. balance of payments. The VFCR Program is embodied in a set of voluntary guidelines[1/] which constitute a request by the Federal Reserve System that U.S. commercial banks and other nonbank financial institutions exercise restraint in lending and investing abroad. U.S. branches and agencies of foreign banks, whose organization and operations differ from those of U.S. banks, are asked to observe the spirit of the Guidelines. The VFCR Program does not apply to foreign branches or subsidiaries of U.S. banks.

The Guidelines were originally issued in early 1965, and they have been revised once or more in each subsequent year. Despite frequent revision, the principles underlying the Guidelines have remained the same, and its voluntary character has not been altered. Although the Board of Governors was given authority by Executive order at the beginning of 1968 to shift the Program to a mandatory basis, the Board has not chosen to exercise this authority. Rather, the Board has relied on the cooperation of the banks and nonbank financial institutions to continue the Program on a voluntary basis.

1/ The Revised Guidelines appear in the Federal Reserve Bulletin, January 1971. pp. 9-20.

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The flexibility of the Guideline approach allows the Board to revise the Program to alter the degree of restraint and to correct any possible inequities.

The administration of the VFCR Program is delegated by the Board to one of its members. The Board member charged with Program administration is assisted by a very small staff. Responsibilities for the day-to-day administration are delegated, to an important extent, to the Federal Reserve Banks, which seek guidance from the Board as necessary. The firm establishment of a few guiding principles, and the cooperation of the commercial banks and nonbank financial institutions, have permitted the Program to be carried out with an exceptionally modest input of resources.

Principal Features of the VFCR Program

The Guidelines cover all U.S. financial institutions. Actually, because the bulk of them have little or no foreign assets -- loans to foreigners or investments abroad -- only about 170 banks and roughly 335 nonbank financial institutions are active participants in the Program. The banks file monthly VFCR reports, while the nonbank financial institutions report on a quarterly basis.

The central feature of the VFCR Program is a set of ceilings which banks are requested to observe in making loans to foreign borrowers and in acquiring other foreign assets. Each bank has two ceiling : (1) a General Ceiling which applies to the out-

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standing amount of any type of foreign asset covered by the Guidelines, and (2) an Export Term-Loan Ceiling applicable to loans of over one year in maturity which finance U.S. exports. Originally, ceilings were adopted on the basis of a percentage applied to outstanding foreign assets as of December 31, 1964. This rigid rule proved inequitable to banks which had not been active in the field of foreign lending, and the Guidelines were modified to give banks the alternative of computing their ceilings on the basis of a given percentage of their total assets as of December 31, 1968. After this Guideline revision, most reporting banks switched to computing their ceilings on the basis of their total assets as of year-end 1968. The historical record of total assets offered many banks a more generous ceiling than a historical figure on total foreign assets, since many of the relatively smaller banks had not established themselves in the field of foreign lending.

Evolution of VFCR Ceilings

The Guidelines have been amended so that banks which have had no previous ceiling, but which want to enter foreign lending activities, may adopt ceilings in consultation with the Federal Reserve Bank in their district. These new ceilings are established with the understanding that they are to be used predominantly for export financing.

As of the latest reporting date, 36 banks, or 21 per cent of the 170 banks filing VFCR reports, have ceilings based on their foreign assets of December 31, 1964; 134 banks, or 79 per cent of

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all reporting banks, utilize a ceiling based on their total assets of December 31, 1968.

The influence of the historical record of participation in foreign lending on the current allocation of VFCR ceilings is shown by the share of total ceilings held by the 36 banks which compute their General Ceilings on the basis of the total foreign assets they held on December 31, 1964. These banks constitute about one-fifth of the total reporting banks, yet they have an estimated 82 per cent of the total General Ceilings and 86 per cent of all foreign assets reported under the General Ceilings. (In terms of total domestic and foreign assets, these 36 banks accounted for 65 per cent of the total of such assets of all banks reporting under the VFCR Program.) The 36 banks with more firmly established records of foreign lending and investment tend to utilize their VFCR General Ceilings more fully than the other banks. These more firmly established banks have an average net leeway (ceilings minus assets subject to the ceilings) of only 2-1/2 per cent of their total General Ceilings, compared to an average net leeway of 30 per cent for all other reporting banks at the end of March, 1971.

The second type of ceiling under the VFCR, the Export Term-Loan Ceiling, was introduced in December, 1969. As noted earlier, the Export Term-Loan Ceiling applies to loans with a maturity of over one year which finance U.S. exports. The size of

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the Export Term-Loan Ceiling is related to the total assets of a bank as of December 31, 1968. To date, banks have not tended to utilize their Export Term-Loan Ceilings extensively. As of March 31, 1971, the banks had an aggregate Export Term-Loan Ceiling of $1,443 million, of which only $248 million, or 17 per cent, was being utilized.

Coverage of the Program

Having discussed the general procedures utilized in establishing Guideline Ceilings, it is important to note the coverage of the Program. In general, the VFCR Program provides for the participating banks to maintain restraint on foreign assets of all types held for their own account, and on assets held in virtually all foreign areas. There are, however, several exceptions to this coverage. The two most important exceptions are: (1) Export-Import Bank-related financing and Department of Defense-related financing, and (2) loans to Canada.

For the nonbank financial institutions, there are exceptions in addition to those which apply to banks. Aside from the exceptions for Eximbank-related and for Department of Defense-related credit, and for loans and investments in Canada, exceptions for long-term investments in the developing countries apply to nonbank financial institutions.

Trend of Foreign Lending Under the VFCR Program

For banks, foreign loans and investments subject to VFCR Guidelines increased moderately in the early stages of the Program.

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Currently, however, at $9.4 billion, they are actually slightly less than when the Program was initiated. (See Appendix Table 1.) The reduction in reported bank claims on foreigners is the result of the Guideline restraint and not other factors. As data in Table A-1 show, while foreign assets subject to VFCR ceilings have declined slightly since the end of 1964, total foreign assets held for the banks' own account (which include the exempted loans and investments in Canada and Eximbank-related loans) have actually increased from $9.7 billion at the end of 1964 to $10.5 billion on March 31, 1971.

In addition to limiting the overall capital outflow from the United States, the VFCR has placed special restraint on outflows to the developed countries of continental Western Europe. These countries have enjoyed particularly strong balance-of-payments positions and have relatively well-developed capital markets. Thus, they have less justification than others for drawing on U.S. bank credit. The figures in Table A-2, covering all bank claims on foreigners[2/] show that foreign claims on the developed countries of continental Western Europe increased by $1.3 billion -- from $0.9 billion at the end of 1961 to $2.2 billion at the end of 1964. From the end of 1965 to the most recent date, a period of VFCR Guideline restraint,

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2/ These data are comparable, but not strictly identical, with the data in Table A-1 on foreign assets covered by the VFCR. For the differences, see the footnotes to Table A-1.

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total bank-reported claims on residents of the developed countries of continental Western Europe were reduced by 50 per cent.

The VFCR Guidelines have further requested that banks refrain from extending any nonexport term loans to residents of these countries. The figures in Table A-2 show that, between the end of 1961 and the end of 1964, long-term bank claims on these countries increased by about $1.0 billion. Between the end of 1965 and January 31, 1971, the years of VFCR Guideline restraint, long-term bank-reported claims on these countries declined by almost exactly $1.0 billion.

The data in Table A-2 indicate that the VFCR Program has been successful in reversing the growth of bank credit to the developed countries of continental Western Europe, and particularly in cutting back the amount of long-term bank credit to these countries. Thus, within the Guidelines, the main focus of restraint has been directed at those countries which have the least justification to utilize U.S. bank credit. The foreign countries which have benefited the most from the shift in the focus of bank lending from Western Europe are the developing countries, which have gained better access to U.S. bank credit.

At this point, it is instructive to examine the operation of the VFCR nonbank program which is directed toward nonbank financial institutions, such as insurance companies, pension funds, and the trust departments of commercial banks. Nonbank financial institutions hold about $15.3 billion in foreign assets, which is

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larger than the amount held by banks. However, only $1.5 billion, or about 10 per cent, of these assets are covered by VFCR Guideline restraint. The data in Table A-3 indicate clearly that the nonbank part of the Program has restrained the amount of covered foreign assets held by nonbank financial institutions.[3/] On the other hand, there has been a steady growth in total -- and in the uncovered portion of -- foreign assets held by nonbank financial concerns. This increase has centered primarily on credits to Canada and to the developing countries.

Summary

The VFCR Program has been a flexible policy instrument to restrain the amount of bank lending and investing in foreign countries. Available evidence has shown that the Program has been successful in achieving this objective and has done so with a minimum of administrative machinery. The Program has emphasized the priority under the ceilings to credits which finance U.S. exports and to serving the financing needs of the developing countries.

3/ Table A-4 presents a chronology of which foreign assets are covered by the VFCR Guidelines, and thus subject to restraint.

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Appendix Table 1
Foreign Assets of United States Banks
(dollar amounts in millions)

	1964 Dec.	1965 Dec.	1966 Dec.	1967 Dec.	1968 Dec.	1969 Dec.	1970 Dec.	1971 Jan.	1971 Feb.	1971 Mar.
Number of reporting banks	154	161	148	151	161	169	171	164	164	170
General Ceiling 1/										
Aggregate ceiling	--	9,973	10,407	11,069	9,729	10,092	9,956	9,935	9,902	9,919
Assets under ceiling 2/	9,495	9,652	9,496	9,865	9,253	9,398	9,350	9,068	9,072	9,173
Change from previous date	--	+157	-156	+369	-612	+145	-48	-282	+4	+101
Apparent leeway	--	321	911	1,204	476	694	606	868	831	746
Export Term-Loan Ceiling 3/										
Aggregate ceiling	--	--	--	--	--	1,264	1,423	1,428	1,421	1,443
Assets under ceiling 4/	--	--	--	--	--	16	187	210	218	248
Change from previous date	--	--	--	--	--	--	+171	+23	+8	+30
Apparent leeway	--	--	--	--	--	1,248	1,236	1,218	1,203	1,195
Total General and Export Term-Loan Ceilings										
Aggregate ceilings	--	9,973	10,407	11,069	9,729	11,356	11,379	11,363	11,323	11,362
Assets under ceilings	9,495	9,652	9,496	9,865	9,253	9,414	9,537	9,278	9,290	9,421
Change from previous date	--	+157	-156	+369	-612	+161	+123	-259	+12	+131
Apparent leeway	--	321	911	1,204	476	1,942	1,842	2,086	2,034	1,941
Total Foreign Assets Held for Own Account 5/	9,719	9,958	9,844	10,202	9,844	10,158	10,607	10,261	10,284	10,509
Change from previous date	--	+239	-114	+358	-358	+314	+449	-346	+23	+225

1/ Prior to December 1969, "Target Ceiling".

2/ Total foreign assets reported on Treasury Foreign Exchange Forms B-2 and B-3: minus (1) amounts held for accounts of customers, (2) loans guaranteed or participated in by the Export-Import Bank, guaranteed by the Department of Defense, or insured by the FCIA, (3) beginning March 1968, changes after February 29, 1968, in claims on residents of Canada held for own account, and (4) export term loans (maturity over one year) placed on banks' books after November 30, 1969, plus foreign assets held for own account but not reported on Forms B-2 and B-3.

3/ 0.5 per cent of reporting banks' total assets as of December 31, 1968.

4/ See point (4) of footnote 2.

5/ Total foreign assets reported on Treasury Foreign Exchange Forms B-2 and B-3, plus foreign assets held for own account not reported on those forms, minus amounts held for account of customers.

Note: Data are for end of months listed.

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Appendix Table 2
Claims on Foreigners Reported by Banks in the United States
(in millions of dollars)

Year-end	All countries Short-term	All countries Long-term	All countries Total	Developed countries of continental Western Europe 1/ Short-term	Developed countries of continental Western Europe 1/ Long-term	Developed countries of continental Western Europe 1/ Total
1961	4,777	2,034	6,811	473	466	939
1964	7,957	4,285	12,242	734	1,479	2,213
1965	7,735	4,517	12,252	713	1,330	2,043
1967	8,606	3,925	12,531	810	520	1,330
1968	8,711	3,567	12,278	714	312	1,026
1969	9,667	3,250	12,917	864	291	1,155
1970	10,751	3,049	13,800	871	310	1,181
January 31, 1971	10,345	2,936	13,281	867	312	1,179

1/ Includes Austria, Belgium, Denmark, France, the Federal Republic of Germany, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland.

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Appendix Table 3

Foreign Assets of U.S. Nonbank Financial Institutions
(dollars in millions)

	Number of Reporting Institutions	Covered Assets[1/]		Noncovered Assets [1/]	Total
		Liquid	Other		
1965 Guidelines					
Dec. 1964	584	511	1,234	10,441	12,186
Dec. 1965	571	276	1,266	11,365	12,907
1966 Guidelines					
Dec. 1965	571	268	2,912	9,941	13,121
Sept. 1966	571	208	2,653	10,188	13,049
1967 Guidelines					
Dec. 1965	572	265	2,239	10,609	13,114
Sept. 1966	572	208	1,850	11,016	13,074
Dec. 1966	572	194	1,757	11,153	13,105
1968 Guidelines[2/]					
Dec. 1966	352	189	1,695	10.770	12,654
Dec. 1967	352	185	1,719	11,659	13,563
1968 Rev. Guidelines					
Dec. 1967	346	51	1,631	11,885	13,567
Dec. 1968	346	16	1,427	12,517	13,959
1969 Guidelines					
Dec. 1968	336	14	1,416	12,508	13,939
Dec. 1969	336	15	1,241	13,563	14,820
1970 Guidelines					
Dec. 1969	336	25	1,702	13,086	14,813
Dec. 1970	336	35	1,478	13,749	15,262

1/ See table A-4 for shifts in covered/noncovered status of reportable assets.

2/ Reporting requirements changed from $500,000 or more in total foreign assets to: (a) $500,000 or more of covered foreign assets or, (b) $5,000,000 or more of total foreign assets.

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Appendix Table 4

Covered/Noncovered Status of Foreign Assets,
Nonbank Financial Institutions, by Guideline Year

	1965	1966	1967-1968	1968[r]-1969	1970-1971
Liquid assets					
Canada	C	—	—	NC	—
Japan	C	—	—	—	—
Other Developed Countries	C	—	—	—	—
Less Developed Countries	C	—	—	—	—
Short & intermediate credits					
Canada	C	—	—	NC	—
Japan	C	—	—	—	—
Other Developed Countries	C	—	—	—	—
Less Developed Countries	C	—	—	—	—
International organizations	C	—	NC	—	—
Direct investments					
Canada	C	—	NC	—	—
Japan	C	—	NC	—	C
Other Developed Countries	C	—	—	—	—
Less Developed Countries	C	—	NC	—	—
Long-term credits					
Canada	NC	—	—	—	—
Japan	NC	—	—	—	C
Other Developed Countries	NC	C	—	—	—
Less Developed Countries	NC	—	—	—	—
International organizations	NC	—	—	—	—
Stocks					
Canada	NC	—	—	—	—
Japan	NC	—	—	—	C
Other Developed Countries					
acquired before 9/30/65	NC	C	—	—	—
acquired after 9/30/65	NC	C	NC	—	—
Less Developed Countries	NC	—	—	—	—

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