

For Release on Delivery  
Thursday, March 16, 1972  
8:00 p.m. C.S.T. (9:00 p.m. E.S.T.)

COMMERCIAL BANK LENDING ABROAD AND THE  
U.S. BALANCE OF PAYMENTS

Remarks By

Andrew F. Brimmer

Member

Board of Governors of the

Federal Reserve System

Before a

Symposium

on the

International Monetary System in Transition

sponsored by the

Federal Reserve Bank of Chicago

Chicago, Illinois

March 16, 1972

COMMERCIAL BANK LENDING ABROAD AND THE  
U.S. BALANCE OF PAYMENTS

by

Andrew F. Brimmer\*

Last month, on February 10, an anniversary was passed with little or no notice: on that date, the Voluntary Foreign Credit Restraint Program passed its seventh birthday. Perhaps it is just as well that the date arrived and departed without fanfare, since most of us associated with these restraints on commercial bank lending abroad from the earliest days of their existence expected to see them removed long before now.

Of course, our expectations regarding the longevity of the program have been disappointed because of one simple fact: the program was one of several instruments designed in 1965 to help moderate the deficit in the U.S. balance of payments. (The others were the Interest Equalization Tax adopted in 1963 and the restraints on direct investment adopted in 1965 and administered by the U.S. Department of Commerce.)

---

\* Member, Board of Governors of the Federal Reserve System.

I am indebted to several members of the Board's staff for assistance in the preparation of these remarks. Mr. Bernard Norwood, who has principal staff responsibility for the administration of the Voluntary Foreign Credit Restraint Program (VFCR), provided overall supervision of the staff work and also helped with the analysis. Mr. Henry S. Terrell made the analysis of recent trends in commercial bank lending to foreigners, including an assessment of their response to recent revisions in the VFCR. Mr. Jan W. Karcz helped to trace the development of U.S. branch banking abroad since the mid-1960's.

We obviously have not managed to eliminate -- or even to reduce -- the balance of payments deficit itself. Last year, the United States incurred a balance of payments deficit of \$30 billion, measured on an official settlements basis. While some improvement is expected in the current year, it appears likely that a short-fall in our international payments will continue for some time.

The recent record and outlook for the U.S. balance of payments are not news. Even the most casual observers of international finance have been aware of the situation for quite a while. However, the role which commercial banks played with respect to the balance of payments deficit last year is far less appreciated. In 1971, foreign loans and investments of U.S. commercial banks rose by \$2.1 billion to a total of \$12.9 billion. Measured by the previous annual changes in such assets since the Voluntary Foreign Credit Restraint Program (VFCR) was launched, the increase recorded last year was extremely large. It represented one-fifth of the total outflow of U.S. private capital which amounted to \$10 billion in 1971. In 1970, the outflow of private capital totaled about \$7 billion, and the banks' share was \$627 million, or only 9 per cent. During the six years the VFCR Program had been in effect prior to 1971, foreign assets of reporting banks had increased by roughly \$900 million, an annual average gain of \$150 million. During the same six years, the

average annual outflow of private capital was about \$5.2 billion. Thus, the proportion attributable to the commercial banks was only 3 per cent.

Consequently, the spurt in commercial bank lending last year requires an explanation. It is especially important to analyze this sizable increase in bank claims on foreigners, because the VFCR Program is aimed largely at limiting the outflow of capital in the form of commercial bank lending. On the other hand, several major revisions were made in the VFCR Program last year, and these had considerable bearing on the foreign lending and investment behavior of the banks in the closing months of 1971. This behavior of the banks in the foreign lending area is examined in some detail in the following remarks.

In the following sections, I will review recent trends in commercial bank lending to foreign borrowers. The major revisions in the VFCR Program last November (and the banks' response to those changes) are also discussed. The sizable expansion in the network of U.S. branch banking abroad since the mid-1960's is traced in broad outline. It is also shown that the banks relied on such branches much less -- and relied on their head offices much more -- in 1971 than was the case in recent years. The highlights of the discussion can be summarized here.

- Commercial banks (for the first time since the early 1960's) were major contributors to the deficit in the U.S. balance of payments in 1971. They expanded their foreign assets by \$2.1 billion last year. Thus, they were responsible for about one-fifth of the outflow of private capital and for about 7 per cent of the balance of payments deficit measured on the official settlements basis.
  
- With the exemption of export credits from the VFCR Guidelines last November, nearly one-third of banks' lending abroad is no longer subject to the restraints on capital outflow. As this and previously existing exemptions are used more intensively in the future, the proportion of the banks' foreign lending covered by capital controls may decline further.
  
- In 1971, for the first time since the VFCR Guidelines were adopted, the banks recorded a sizable expansion in foreign credits held for themselves and their customers at their head offices in the U.S.--an increase of \$2.4 billion. This represented one-sixth of the growth in such credits at banking offices in this country and at U.S. banks' foreign branches. In recent years, virtually all of the rise in such credit had occurred at the foreign branches whose activities are exempt from the VFCR Guidelines. Nevertheless, the enormous growth of the banks' network of foreign branches was by no means checked.

Recent Revisions of the Voluntary Foreign Credit Restraint Program

On November 11, 1971, the Federal Reserve Board issued revised Guidelines to implement legislation that exempted export credits from restraint under the VFCR Guidelines. In addition, the revised Guidelines permitted each bank the option of computing a new ceiling as the highest of: (1) 85 per cent of its General Ceiling as of September 30, 1971, (2) its General Ceiling less any export credit thereunder on September 30, 1971, or (3) 2 per cent of its end of 1970 total assets.

Aside from exempting export credits, the major modification in the VFCR was the new option available to any bank to adopt a ceiling of 2 per cent of its total assets for nonexport foreign lending and investing. Prior to this revision, any bank without a ceiling was permitted to adopt a ceiling equal to 1 per cent of its end-of-1968 total assets. However, that ceiling was to be utilized predominantly for credits which financed U.S. exports. Consequently, under the previous Guidelines, both the type and amount of activity of banks entering the foreign lending field was constrained.

The desire to reduce inequity among banks was the principal reason for the revision of the formula by which ceilings for banks are calculated. In several previous Guideline revisions, efforts had been made to modify the distribution of ceilings prevailing at the time the VFCR was promulgated in early 1965. Essentially foreign lending patterns had been frozen as they were at the end of 1964. This action gave a preferred position to those banks that had established

themselves early in the field of foreign lending. However, despite the modifications designed to reduce inequities, the 20 largest banks still accounted for four-fifths of the foreign assets on the books of the VFCR reporting banks at the end of October last year.

The recent revisions in the VFCR allow a larger number of banks to become active internationally, but so far the response has been quite moderate. The majority of the nearly 200 reporting banks have elected to compute their ceilings on the basis of 2 per cent of their total assets. Since the November revision, 22 banks have adopted ceilings aggregating about \$160 million--a total increase in ceilings of 1.6 per cent. To date the newcomer banks have only \$10 million outstanding under these ceilings, which represents a minor addition to the total outstanding stock of foreign claims reported by U.S. banks.

However, as indicated above, the principal purpose of permitting newcomer banks to adopt ceilings is to reduce inequities under the program. The new entrants are expected to engage directly in foreign finance. They are not to act passively by merely purchasing foreign credits that are extended by other U.S. commercial banks that may sell them in order to utilize the smaller banks' lending leeway. While we do not expect the newcomer provision to be abused, the Board amended the Guidelines earlier this month to assure that the provision is used as originally intended.

As a result of the decision to exempt export credits from the restraints on capital outflow, the proportion of the banks' foreign assets subject to the VFQR Guidelines shrank further. As can be seen from Table 1 (attached) at the end of December, 1971, VFQR-covered assets were 61 per cent of total foreign assets outstanding at U.S. commercial banks compared with 78 per cent a year earlier. In 1964 (not shown in the table), the ratio was 85 per cent. In the case of foreign assets held for the banks' own account, the decline in the proportion subject to VFQR restraints has been even sharper. At the end of last year, the ratio had dropped to 69 per cent--from 90 per cent in December, 1970, and 98 per cent at the end of 1964.

The decrease last year in the percentage of the banks' foreign assets covered by the VFQR was due mainly to the specific exemption of export credits extended by commercial banks. However, it also partly reflected the expanded use of previously existing exemptions, particularly the exemption of credits to Canadian borrowers and credits guaranteed, participated in, or insured by the Export-Import Bank. For example, in the case of the Export-Import Bank-related credits, as recently as December, 1969, the volume outstanding amounted to \$522 million, or 5.2 per cent of the foreign assets held by banks for their own account. By October last year (the last date for which figures are available), the Export-Import Bank-related credits had risen to \$1,303 million, or 13.5 per cent of the banks' holdings of foreign assets for their own account. By the end of last December, it is estimated that the proportion had risen further to 15-1/2 per cent.



This shrinkage in the proportion of the banks' assets subject to VFCR Guidelines should be kept in mind. It means that a sizable share of the foreign lending over which the banks have discretion (currently representing nearly one-third of the foreign assets held for their own account) is already outside the restraints on capital outflow. As the various exemptions are used more intensively in the future, the proportion may be expected to rise further.

Expansion of Foreign Assets in 1971

We can now focus on an explanation of the extremely large increase of \$2.1 billion in commercial banks' own holdings of foreign assets in 1971. To provide such an explanation is more difficult than it might appear on the surface. Some of the difficulty arises because of conceptual problems in defining foreign assets while others are posed by problems of statistical measurement. In the first place, banks hold foreign assets for their customers as well as for their own account. Among the latter, as indicated above, some of their foreign assets are covered by the VFCR Guidelines while some of the categories are exempt. Nevertheless, despite the impossibility of achieving precision in the analysis of commercial bank lending abroad, the principal sources of the growth in their holdings of foreign assets in recent years can be traced.

The components of the changes in the three years 1969-71 are shown in Table 1. It will be noted that total foreign assets held by commercial banks in the United States amounted to \$14.7 billion at the end of 1971. Assets held for the banks' customers amounted

to \$1.8 billion, leaving \$12.9 billion held by the banks for their own account. Total outstandings rose by \$2.4 billion last year, with \$274 million of the increase representing customers claims and \$2.1 billion occurring in the banks' own assets. In 1970, the total expansion amounted to \$649 million, of which \$22 million was for customers and \$627 million was for the banks themselves. Thus, the growth in the banks' foreign credits last year was about three times that recorded in the preceding twelve months.

Of the total rise of \$2.1 billion, about \$270 million represented increases in claims on residents of Canada. Since early 1968, bank lending to Canada has not been subject to the VFCR restraints. About \$639 million of the expansion occurred in loans backed by the Export-Import Bank or the Department of Defense. Both types of credits have been exempted from the Guidelines for quite some time. Just over \$100 million of the increase centered in foreign loans offset by borrowings abroad through Delaware subsidiaries. These four categories of assets--all previously exempted from the VFCR Guidelines--accounted for \$1,021 million (or about half) of the total rise in foreign assets held for the banks' own account.

In addition, the banks' export credits which were exempted from the restraints by the revisions adopted last November undoubtedly also expanded during the year. The volume of such credits outstanding amounted to \$1,864 million in December, 1971. While no comparable figures exist for year-end, 1970, an estimate for September of that year placed the level at \$1.4 billion. Thus, by December, 1970, the level

may have been around \$1.5 billion. Thus, the increase in 1971 may have been in the neighborhood of \$300-400 million. So, asset categories exempt from the VFCR Guidelines apparently accounted for about three-fifths of the increase in the banks' foreign assets last year.

This would still leave a sizable part (\$700-800 million) of the increase to be explained. Some of the remainder (exactly how much cannot be estimated with precision) undoubtedly represents a rise in bank lending in response to foreigners' demands for funds associated with the speculative movements of short-term capital in May and August, 1971. Some idea of the magnitude of these outflows of bank funds can be gotten from the data in Tables 3a and 3b, showing selected foreign assets held by about 350 large banks which report weekly to the Federal Reserve Board. Table 3a lists annual changes in these assets during 1970 and 1971 and also for the November-March months of the last two years. Table 3b shows the same data for May and August last year.

The increases were as follows (millions of dollars):

Type of Foreign Loan	Full Year		May		August	
	1970	1971	1970	1971	1970	1971
Balances with foreign banks	61	136	26	- 39	36	69
Loans to foreign commercial banks	113	1,393	93	378	- 28	1,005
Foreign commercial and industrial loans	117	820	49	168	11	397
Sub-total	345	2,349	168	507	19	1,441
Loans to foreign government and official institutions	-101	48	- 5	9	- 65	9
Grand Total	244	2,397	163	516	- 46	1,450

Several observations can be made regarding these statistics. The increase in the banks' foreign assets in 1971 (\$2.4 billion) is roughly of the same magnitude indicated by the first set of data presented above. The rise was nearly ten times that recorded in the preceding year. During the month of May, 1971, when the decision of the West German Government to allow the mark to float touched off a sizable shift out of dollars, the foreign assets of the weekly reporting banks rose by \$516 million. In August of last year, both before and after the adoption of the New Economic Policy in the United States, commercial banks in this country were confronted with an enormous foreign demand for credit. In responding, they expanded their foreign assets by \$1,450 million. This was the largest monthly gain in bank reported foreign assets since the VFCR Program was instituted. In fact, the VFCR reporting banks increased their assets subject to the restraints by \$1,206 million during the month of August. They collectively exhausted the leeway of \$912 million which they had at the end of July and ran over their general ceilings by about \$250 million.

There were a number of factors which led to this unusually large rise in foreign assets last May and August. Probably most important was the use by foreign banks and other borrowers (especially Japanese trading companies) of the credit lines that had been established with U.S. banks in earlier periods. Drawings on these credit lines may have represented a hedge by the foreign borrowers against exchange rate changes, but since the loans were primarily in dollars they did not represent foreign exchange activity for

the U.S. banks involved. The increase in balances held with foreign banks was also unusually large in May, and the level was reduced only moderately in the following months. In this case, banks may have been acting both on their own account and in order to position themselves to meet the demands of their customers.

These data help to delineate the role of the commercial banks in the large international capital flows that occurred in the Spring and Summer of 1971. While a modest amount of repayments of some of the foreign loans occurred in the later months of last year, the net effect of the expansion in the banks' foreign assets last May and August was to provide a significant boost to their total foreign lending in 1971 as a whole.

Aside from the role of U.S. domestic institutions, a sizable part of the outflow of funds last year reflected increases in claims reported by agencies and branches of foreign banks operating in the United States. Agencies and branches of foreign banks had been asked previously to act in accordance with the spirit of the VFGR Guidelines. Partly because of the activities of these institutions last summer, the revised Guidelines issued on November 11, 1971, requested that agencies and branches of foreign banks file monthly reports with the Federal Reserve Banks covering their foreign activity. This step was necessary to enable the Board to follow the activities of the foreign branches and agencies more closely. In August, 1971, during the height of speculative outflows of funds in the midst of foreign exchange crisis, these institutions were instrumental in moving abroad a substantial volume of dollars.

Banks' Response to VFCR Program Revisions

The experience of banks under the VFCR since the Guidelines were revised last November is shown in Table 2. The number of reporting banks has increased slightly, and this number should be expected to increase as more small and medium-sized banks take advantage of the liberalized newcomer provision. The revision of the VFCR Guidelines permitted an expansion in the aggregate ceilings for nonexport foreign lending and investing which amounted to roughly \$1 billion. About three-fourths of the expansion in aggregate ceilings was directed toward the smaller and medium-sized banks--whose ceilings constituted a small fraction of their total assets. Undoubtedly some (but probably only a minor part) of this increase in aggregate ceilings has resulted in an increased level of foreign claims.

The figures in Table 2 also indicate that the banks' total foreign assets rose by \$1.2 billion between November 30, 1971, and January 31, 1972. Approximately \$225 million represented growth in claims held by the banks for account of customers. Therefore, over the same period, foreign assets held by banks for their own account increased by \$979 million. About one-quarter (\$266 million) of this expansion was accounted for by an increase in claims on Canada. Again, neither of these classes of assets--customers' claims and claims on Canadian residents--was covered by the revised nor by the previous Guidelines. Assets subject to restraint under the VFCR ceilings rose by \$151 million during the three months.

As already mentioned, a second revision in the Guidelines was the total exemption of export credits from any form of restraint following the enactment of legislation requiring the Federal Reserve to exempt these credits. As of November 30, export credits on the books of VFCR reporting banks amounted to \$2,789 million. These credit expanded by \$505 million in December; a further rise of \$48 million in January of this year lifted the total to \$3,342 million at the end of that month. A portion of the \$553 million increase in export credits to foreigners other than residents of Canada that occurred in December and January is not attributable to the Guideline revision. Some portion of these export credits would have been exempt under the previous Guidelines by virtue of guarantees or participation by the Eximbank, insurance by the FCIA, or the guarantee of the Department of Defense.

Overall, the record since November, 1971, indicates that the revisions in the VFCR Guidelines have not themselves led to a significant capital outflow through the banking system. At the same time, however, the total flow of funds abroad through U.S. commercial banks remains significant.

The VFCR and the Growth of Overseas Operations of U.S. Banks

At this point, I would like to review the foreign lending behavior of U.S. commercial banks in a broader context. As is generally known, the introduction of the VFCR Program gave impetus to a development that will have lasting effects on the scope and character of U.S. international banking. I refer here to the

phenomenal expansion of foreign branches of U. S. banks. Prior to the introduction of the VFCR in 1965, only a handful of banks (11) had foreign branches, although collectively they operated about 200 such branches. (See Table 4.) By the end of 1971, the number of banks with foreign branches had increased seven-fold (to 91), and among them they controlled 583 foreign branches.

Given increased foreign activity of the banks' clients, some increase in foreign branching could have been expected. But this extremely rapid growth undoubtedly was due partly to the banks' desire to keep within their VFCR ceilings by raising funds abroad and lending them to foreigners from the banks' overseas branches. Under the VFCR Guidelines, assets on the books of foreign branches are not counted against the ceilings of the parent banks. Also, the restraints on U.S. direct investors, under the Foreign Direct Investment Program, caused U.S. companies to turn to the foreign branches of U.S. banks for alternative offshore financing.

Originally, the expansion of foreign banking was primarily centered in London, where a bank with a foreign branch could find a convenient way to tap the Euro-dollar market in times of domestic monetary stringency. By the end of 1971, 41 U.S. banks had branches in London, and at time Euro-dollar borrowings from these branches were very large indeed -- over



\$13 billion in 1969. Since early 1969, however, most of the increase in the number of U.S. banks with foreign branches was accounted for by banks opening branches in Nassau, Bahamas.

Foreign branches of U.S. banks have recorded an enormous growth in assets as well as in number. In 1964, before the introduction of the VFCR Program, the assets of foreign branches amounted to only \$7 billion. By 1971, when the number of branches had expanded three-fold, the assets totaled over \$60 billion -- a six-fold growth.

In addition to the rapid expansion of foreign branching, U.S. banks have accelerated the formation of Edge Act and Agreement Corporations. As is generally known, these are domestically organized subsidiaries that serve as vehicles for foreign banking and investment. Since the introduction of the VFCR Program, the number of such corporations has doubled and stood at 84 in June of 1971 while their assets grew from \$1 billion to over \$7 billion. The growth of these subsidiaries (except where they have established foreign branches) cannot be attributed specifically to the VFCR, since they are subject to the VFCR in common with U.S. banks. Rather, their expansion is evidence of a growing effort by U.S. banks to compete for foreign banking business and to exploit foreign investment opportunities.

As domestic monetary conditions became easier in 1970-71, most banks liquidated their Euro-dollar borrowing, largely by repaying overseas branches in financial centers such as London-- but also in other areas, such as Nassau. Currently, borrowings by head offices from foreign branches are currently under \$1 billion, a dramatic decline from the nearly \$14 billion high reached in 1969. On balance, however, the continuing existence of the VFCR Program, the possibility that there may once again be an advantage to sourcing dollars abroad for domestic use, and the low costs connected with the maintenance of a Nassau branch, will probably prompt many banks to continue to maintain these shell branches, even if on a stand-by basis.

A particularly useful insight into the reliance U.S. banks have placed on their foreign branches in recent years is provided by the data in Table 5. These figures show credits outstanding at the banks' domestic offices and foreign branches. In one sense, the figures can be interpreted as indicating the extent to which the banks choose to service their foreign customers from their domestic offices as opposed to their foreign branches.

The spectacular growth of their total foreign loans is clear--a jump from \$13.3 billion in 1964 to \$52.3 billion at the end of last year. The overwhelming share of the rise has occurred in the foreign branches, where the amount outstanding

climbed from \$3.9 billion to \$40.2 billion during the same period. While the foreign branches held less than one-third of the foreign loans of the domestic offices and foreign branches combined in 1964, they held three-quarters in 1971.

Last year, however, for the first time since the VFCR Guidelines were adopted, a sizable share (one-sixth) of the rise in bank-reported foreign credits occurred in the United States. So, while their foreign branches had been used extensively by the banks to keep within the VFCR Guidelines (and many of the banks continue to use them in this way), the exemption of exports from the ceiling apparently created leeway for the banks to handle a larger fraction of their foreign business from their headquarters in the United States.

#### Concluding Observations

From this survey of the recent foreign lending experience of U.S. commercial banks, several conclusions stand out: the banks still face a strong demand for funds on the part of their foreign customers--many of whom are the subsidiaries of American multinational corporations. In responding to these demands, U.S. banks have pursued a vigorous policy of establishing and extending a network of foreign branches. In fact, from the mid-1960's until last year, the growth in the banks' foreign lending had been heavily concentrated in their offices abroad. Thus, the banks' foreign lending activity imposed little net burden on our balance of payments.

Last year, however, that situation was reversed. For the first time since the early 1960's, a substantial outflow of funds occurred through the commercial banks. To a considerable extent, the result represented a shift of a significant part of the banks' foreign lending from their branches abroad to their offices in the United States. While it is impossible to predict the course of the banks' foreign lending in the current year, the further rise in the outflow of bank funds during the last few months suggests that U.S. commercial banks could again be important contributors to the continuing deficit in our balance of payments.

Such a prospect does not seem to me to argue for the frequently-heard suggestion that the Federal Reserve Board give the banks even greater leeway under the VFCR--if not dismantle the program altogether.

Table 1. Foreign Assets of U.S. Commercial Banks Reporting  
Under VFCR Guidelines, 1969-71  
(Amounts in millions of dollars)

Category	1969	1970	1971	Change	
				1969-70	1970-71
<u>Total: All foreign assets</u>	<u>11,719</u> ,.	<u>12,368</u>	<u>14,736</u>	<u>649</u>	<u>2,368</u>
Less: Customers' claims	1,541	1,563	1,837	22	274
<u>Foreign Assets held for own account</u>	<u>10,178</u>	<u>10,805</u>	<u>12,899</u>	<u>627</u>	<u>2,094</u>
Loans, acceptances, deposits and other claims <sup>1/</sup>	9,289	9,628	11,697	339	2,069
Foreign long-term sec.	161	141	119	-20	-22
Invest. in foreign subs.	628	781	1,021	153	240
Export term loans <sup>2/</sup>	19	190	-	171	-
Other long-term holdings	81	65	62	-16	-3
<u>Less: VFCR Exempt Assets</u>	<u>794</u>	<u>1,120</u>	<u>3,942</u>	<u>326</u>	<u>2,822</u>
Claims on Canadian borrowers (change since 2/68) <sup>3/</sup>	164	266	536	102	270
Export-Import Bank-related <sup>4/</sup>	522	791	1,400e	269	609
Dept. of Defense-related	-	-	30e	-	30
Certain deferred payment letters of credit	108	63	-	-45	-63
Del. subs. liab. offset	-	-	112	-	112
Export credits <sup>5/</sup>	-	-	3,294	-	3,294
<u>Assets subject to VFCR</u>	<u>9,384</u>	<u>9,685</u>	<u>8,957</u>	<u>301</u>	<u>-728</u>

Source: U.S. Treasury Foreign Exchange Forms B-2 and B-3 and reports to the Federal Reserve Board under the VFCR program.

- <sup>1/</sup> Assets reported on Treasury Forms B-2 and B-3, minus amounts held for customers.
- <sup>2/</sup> Export-term loans were exempt from the VFCR Guidelines as of November 11, 1971.
- <sup>3/</sup> Beginning in March, 1968, claims on residents of Canada held for the banks' own account were exempt from the VFCR Guidelines.
- <sup>4/</sup> Credits guaranteed or participated in by the Export-Import Bank or insured by FCIA or guaranteed by the Department of Defense were previously exempted from the VFCR Guidelines. These types of claims are included in export credit as of year-end 1971. Data for such claims for 1971 were estimated, since figures are no longer collected separately.
- <sup>5/</sup> Export credits were exempt from the VFCR Guidelines as of November 11, 1971, in accordance with legislation.

e) Estimated

Table 2. Changes in Foreign Assets of U.S. Commercial  
Banks Reporting Under the VFCR  
Guidelines, November, 1971 - January, 1972  
(Amounts in millions of dollars)

Category	November 1971	December 1971	January 1972	Change		
				Nov.- Dec. 1971	Dec.71- Jan.72	Nov.71- Jan.72
<u>Total: All foreign assets</u>	<u>13,422</u>	<u>14,736</u>	<u>14,626</u>	<u>1,314</u>	<u>-110</u>	<u>1,204</u>
Less: Customers' claims	1,737	1,837	1,962	100	125	225
<u>Foreign Assets held for own account</u>	<u>11,685</u>	<u>12,899</u>	<u>12,664</u>	<u>1,214</u>	<u>-235</u>	<u>979</u>
Loans, acceptances, deposits, and other claims	10,502	11,697	11,448	1,195	-249	946
Foreign long-term sec.	116	119	120	3	1	4
Invest. in foreign subs.	1,005	1,021	1,032	16	11	27
Other long-term holdings	62	62	64	-	2	2
<u>Less: VFCR Exempt Assets</u>	<u>3,110</u>	<u>3,942</u>	<u>3,938</u>	<u>832</u>	<u>- 4</u>	<u>828</u>
Claims on Canadian borrowers (change since 2/68)	218	536	484	318	- 52	266
Del. subs. liab. offset	103	112	112	9	-	9
Export credits	2,789	3,294	3,342	505	48	553
<u>Assets subject to VFCR</u>	<u>8,575</u>	<u>8,957</u>	<u>8,726</u>	<u>382</u>	<u>-231</u>	<u>151</u>
Ceiling	9,851	9,982	9,996	131	14	145
Aggregate leeway	1,276	1,025	1,270	-251	245	-6
Number of reporting banks	181	188	191	7	3	10

Source: U.S. Treasury Foreign Exchange Forms B-2 and B-3 and reports to the  
Federal Reserve Board under the VFCR program.

Table 3a

Selected Foreign Assets of U.S. Banks  
(Amounts in millions of dollars)

	December 31, 1969	December 30, 1970	Change	December 30, 1970	December 29, 1971	Change	November 25, 1970	March 3, 1971	Change	November 4, 1971	March 1, 1972	Change
<b>A. Loans to Foreign Commercial Banks</b>	1,496	1,609	+113	1,609	3,002	+1,393	1,590	1,504	- 86	2,570	2,482	- 88
<b>Foreign Commercial     and Industrial     Loans</b>	2,238	2,409	+171	2,409	3,229	+820	2,330	2,420	+ 90	2,983	3,204	+221
<b>Balances with     Foreign Banks</b>	297	358	+ 61	358	494	+136	311	380	+ 69	376	466	+ 90
<b>TOTAL</b>	4,031	4,376	+345	4,376	6,725	+2,349	4,231	4,304	+ 73	5,929	6,152	+223
<b>B. Loans to Foreign Governments and Official Institutions</b>	971	870	-101	870	918	+ 48	887	760	-127	806	915	+109
<b>GRAND TOTAL</b>	5,002	5,246	+244	5,246	7,643	+2,397	5,118	5,064	- 54	6,735	7,067	+332

Source: Loans to and balances with foreign banks and loans to foreign governments and official institutions are Weekly Condition Report data; foreign commercial and industrial loans are from weekly (Federal Reserve) Commercial and Industrial Loan series.

Table 3b

Selected Foreign Assets of U.S. Banks  
(Amounts in millions of dollars)

	April 29, 1970	May 27, 1970	Change	April 28, 1971	May 26, 1971	Change	July 29, 1970	August 26, 1970	Change	July 28, 1971	August 25, 1971	Change
<b>A. Loans to Foreign Commercial Banks</b>	1,327	1,420	+ 93	1,488	1,866	+378	1,445	1,417	- 28	1,790	2,795	+1,005
Foreign Commercial and Industrial Loans	2,189	2,238	+ 49	2,535	2,703	+168	2,149	2,160	+ 11	2,682	3,049	+367
Balances with Foreign Banks	260	286	+ 26	584	545	- 39	268	304	+ 36	403	472	+ 69
TOTAL	3,776	3,944	+168	4,607	5,114	+507	3,862	3,881	+ 19	4,875	6,316	+1,441
<b>B. Loans to Foreign Governments and Official Institutions</b>	996	991	- 5	805	814	+ 9	986	921	- 65	815	824	+ 9
GRAND TOTAL	4,772	4,935	+163	5,412	5,928	+516	4,848	4,802	- 46	5,690	7,140	+1,450

Source: Loans to and balances with foreign banks and loans to foreign governments and official institutions are Weekly Condition Report data; foreign commercial and industrial loans are from weekly (Federal Reserve) Commercial and Industrial Loans series.



Table 4

International Operations of U.S. Banks: Selected Indicators, 1960-1971  
(monetary magnitudes are in billions of dollars)

	1960	1964	1965	1966	1967	1968	1969	1970	1971
	----	----	----	----	----	----	----	----	----
<u>U.S. Offices</u> <sup>1/</sup>									
Bank credit to foreigners <sup>2/</sup>	\$4.2	9.4	9.7	9.6	9.8	9.2	9.3	9.7	12.1
Foreign deposit <sup>2/3/</sup> (other than) due to foreign branches)	\$9.1	13.4	13.6	12.6	14.4	14.7	16.5	16.5	17.7
Due to foreign branches <sup>4/</sup>	\$--	1.2	1.3	4.0	4.2	6.0	12.8	7.7	0.9
<u>Overseas Branches of Banks</u> <sup>5/</sup>									
Number of banks with overseas branches	8	11	13	13	15	26	53	79	91
Number of overseas branches	131	181	211	244	295	375	459	536	583
Assets of overseas branches <sup>6/</sup>	\$3.5	6.9	9.1	12.4	15.7	23.0	41.1	52.6	63.0 p.e.
<u>Edge and Agreement Corporations</u>									
Number	15	38	42	49	53	63	71	77	84 <sup>J/</sup>
Assets	\$n.a.	0.9	1.0	1.4	1.5	2.5	3.5	4.6	7.3 <sup>J/</sup>

n.a - not available

data are for end of year except where footnoted

<sup>J/</sup> which indicates end of June

p.e. -- partly estimated

<sup>1/</sup> All data for U.S. offices are on a balance-of-payments basis.

<sup>2/</sup> Bank credit to foreigners and foreign deposits relate to all commercial banks reporting on the Treasury foreign exchange forms, and include credits and deposits of branches and agencies of foreign banks as well as U.S. banks. Bank credit includes short- and long-term loans and acceptance credits denominated in dollars; for 1960, some other short- and long-term claims are also included.

<sup>3/</sup> Foreign deposits include demand and time deposits of one year of less maturity, and, beginning in 1964, include negotiable certificates of deposit issued to foreigners and international institutions.

<sup>4/</sup> Due to branches refers to the gross liabilities due to foreign branches of large U.S. weekly-reporting banks.

<sup>5/</sup> Overseas branches include branches of member banks in U.S. possessions and territories as well as in foreign countries.

<sup>6/</sup> Branch assets include interbranch balances.

Table 5. Foreign Credit Outstanding at Domestic Banking Offices and at Foreign Branches of U.S. Commercial Banks, 1960-71  
(Amounts in billions of dollars)

Year	Foreign Credits				Annual Percentage Change		
	Total	Held by Domestic Offices for Own Account <sup>1/</sup>	Held by Foreign Branches		Total	Domestic Offices	Foreign Branches
			Amount	Percent of Total			
1960	6.6	4.2	2.4e	36.3	-	-	-
1964	13.3	9.4	3.9e	29.3	-	-	-
1965	15.2	9.7	5.5	36.1	14.3	3.2	41.0
1966	15.6	9.6	6.0	38.4	2.6	-1.0	9.1
1967	17.5	9.8	7.7	44.0	12.2	2.1	28.3
1968	19.4	9.2	10.2	52.5	10.9	-6.5	32.5
1969	25.4	9.3	16.1	63.3	30.9	1.1	57.8
1970	37.3	9.7	27.6	73.9	46.9	4.3	71.4
1971	52.3e	12.1	40.2e	76.9	40.2	24.7	45.7

<sup>1/</sup> All commercial banks reporting on Treasury Forms B-2 and B-3; includes credits of U.S. branches and agencies of foreign banks, as well as U.S. banks. Covers short- and long-term loans and acceptance credits denominated in dollars. For 1960, a minor amount of other short- and long-term claims (not denominated in dollars) is also included. For domestic offices, totals include loans to own foreign branches. Branch totals exclude interbranch balances and amounts due from head offices.

e) Estimated