

**FEDERAL RESERVE BANK
OF DALLAS**

Dallas, Texas, September 10, 1964

**COMMERCIAL BANK REPORTING OF FOREIGN LOANS
UNDER INTEREST EQUALIZATION TAX ACT**

**To All Banks in the
Eleventh Federal Reserve District:**

Attached is a copy of a notice from the Treasury Department pertaining to certain mandatory reports on term loan commitments to foreign obligors. As Fiscal Agent of the Treasury, this Bank will receive and forward such reports to the Treasury Department.

You will note that only banks making loans of \$250,000 or more for maturities of more than one year are expected to file reports under this arrangement. Also, as stated in the notice, the report forms will be available from the Federal Reserve Bank of Dallas. Should your bank be one required to make such a report, you may obtain these forms by writing:

Mr. James A. Pflueger
Administrative Assistant
Research Department
Federal Reserve Bank of Dallas
Dallas, Texas 75222

Yours very truly,

Watrous H. Irons
President

**Notice of
Procedures for
Commercial Bank Reporting of Foreign Loans
Under Interest Equalization Tax Act**

The Interest Equalization Tax Act provides authority to obtain from U. S. commercial banks information returns on loans and commitments to foreign obligors, as prescribed by the Secretary of the Treasury. Pursuant to this authority, the Treasury is instituting mandatory reporting of new term loan commitments to foreigners of \$250,000 or more entered into on or after September 15, 1964.

The new form and instructions have benefited from the experience with voluntary reporting and also from comments and suggestions by members of the Banking Committee of the Advisory Council on Federal Reports. These new forms are now being printed and will be available from the Treasury and the Federal Reserve Banks by September 15. Commercial banks should report commitments made on or after September 15 only on the new form. To assure proper handling, completed reports should be addressed to the Secretary of the Treasury — IET Form, in care of the President of the Federal Reserve Bank in the District of the reporting bank. The President has signed an Executive Order which will permit the Federal Reserve Banks to process these reports in the same manner as they have been processing the voluntary reports made by certain banks since January 1.

The Interest Equalization Tax Act authorizes the President to apply the tax to bank loans to foreigners of one-year or more maturity if he determines that such loans are materially impairing the effectiveness of the tax. The report of the Congressional Conference Committee which considered this provision stated that "the President will follow closely the volume of commercial bank loans and should he become convinced that they are being used to an appreciable extent as a substitute (directly or indirectly) for obligations taxed by the bill, he will exercise the authority granted to him under this provision."

The new reporting form is designed to enable the Treasury to meet its responsibilities under the law for evaluating the nature of, and trends in, bank lending abroad under the current exemption from tax for loans made in the ordinary course of the commercial banking business. It will elicit information which will differentiate loans in support of United States exports from other loans, and reveal characteristics and circumstances of such other loans necessary to permit a reasonable judgment as to whether or not their continued exemption may be impairing the effectiveness of the tax. The new form, while similar to the voluntary form that many banks have been submitting since the beginning of this year, has been somewhat expanded. The intent, however, is to request only information which seems essential to fulfill the responsibilities of the Treasury for keeping track of these loans.

In accordance with the applicable law, all information furnished on these reports will be held in confidence by the Treasury Department and by the officers and employees of the Federal Reserve System authorized to inspect and process the reports.

Treasury Department
September 8, 1964