

**FEDERAL RESERVE BANK
OF DALLAS**

Dallas, Texas, July 26, 1965

**REVISION OF GUIDELINE 5 FOR COMMERCIAL BANKS UNDER THE
VOLUNTARY FOREIGN CREDIT RESTRAINT PROGRAM**

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

As initially issued under the President's Balance of Payments Program, guideline 5 provided that a bank's base should be reduced by an amount equal to any sales to U. S. residents of foreign securities or loans which were owned on the base date of December 31, 1964. However, this guideline has been revised to permit banks to sell foreign securities owned on December 31, 1964, to U. S. residents without an equivalent reduction. Sales to U. S. residents of foreign loans (or loan participations) will continue to require a reduction in the bank's base by a like amount.

Revised guideline 5 follows:

(5) BANK SALES OF FOREIGN ASSETS TO U. S. RESIDENTS

In general, banks should not expand their lending abroad by selling to U. S. residents (including U. S. banks) claims on foreigners (except foreign securities) existing on the base date and replacing such assets with other loans to foreigners. Sales to U. S. residents of foreign loans or loan participations could assist a bank to stay within the 5 per cent target, but clearly would not benefit the U. S. payments position. Therefore, in the event of any such sales the bank's base should be reduced by an amount equivalent thereto.

Yours very truly,

Watrous H. Irons
President