

FEDERAL RESERVE BANK  
OF NEW YORK

Fiscal Agent of the United States

September 11, 1964

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

To All Commercial Banks in the  
Second Federal Reserve District:

Following is the text of a Notice issued by the Treasury Department, dated September 8, 1964:

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. A sample of the forms to be used for these reports is attached. This form will supersede, as of that date, the voluntary reports submitted to the Treasury by many commercial banks engaged in foreign lending since early this year.

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.

(OVER)

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.

Enclosed is a copy of the new information return form; additional copies may be obtained from our Balance of Payments Division, together with copies of the instructions for preparing the form.

The information returns are subject to the rules of confidentiality in the Internal Revenue Code; they will be examined at the Federal Reserve Banks by only those persons who have been specifically designated for this purpose in accordance with Executive Order No. 11176 and the Treasury Regulations issued thereunder. To assure such proper handling, completed reports should be filed in specially addressed envelopes prepared by the Treasury and obtainable from our Balance of Payments Division.

Enclosed also is a return receipt card for acknowledging receipt of this letter.

ALFRED HAYES,  
President.

Following is a Notice issued by the Treasury Department, dated September 8, 1954:

The Internal Revenue Tax Act provides authority to obtain from U. S. commercial banks information on loans and commitments to foreign obligors, as provided for by the Secretary of the Treasury. Pursuant to this authority, the Treasury is instituting mandatory reporting of new loans and commitments to foreign obligors of \$250,000 or more entered into on or after September 15, 1954. A sample of the forms to be used for these reports is attached. This form will supersede as of that date the voluntary reports submitted to the Treasury by many commercial banks engaged in foreign lending since early this year.

The new form and instructions have been prepared from the experience with voluntary reporting and also from comments and suggestions by members of the Advisory Council on Federal Reserve Banks. 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 ensure proper handling, completed reports should be addressed to the Secretary of the Treasury—IFT Form, in care of the Assistant Secretary for 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 Internal Revenue Tax Act authorizes the President to apply the tax to bank loans to foreign obligors of one year or more maturity if he determines that such loans are materially important to the national defense. 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 be advised in advance 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 also be used to obtain information which will be used in support of United States foreign policy and other purposes. The reporting form is designed to provide a means for the Treasury to obtain information on the nature and characteristics of such other loans necessary to provide a meaningful judgment as to whether or not their continued exemption may be warranted in the light of the new form which is similar to the voluntary form that many banks have been submitting since the beginning of this year, but has been somewhat expanded. The intent, however, is to report only information which is essential to fulfill the responsibilities of the Treasury for keeping track of these loans.

**COMMERCIAL BANK INFORMATION RETURN  
LOANS AND COMMITMENTS TO FOREIGN OBLIGORS**

See instructions for explanation of reporting requirements. Address return to Secretary of the Treasury, IET Form, Care of President, Federal Reserve Bank in your district. All information furnished on this return will be held in strict confidence by the Treasury Department and the Federal Reserve System.

**P  
A  
R  
T  
A**

1. Type of transaction (*check code*):

- |                                  |                            |                                     |                            |
|----------------------------------|----------------------------|-------------------------------------|----------------------------|
| Direct term loan                 | <input type="checkbox"/> 1 | Other purchased paper               | <input type="checkbox"/> 3 |
| Documented by U. S. export paper | <input type="checkbox"/> 2 | Cancellation of previous commitment | <input type="checkbox"/> 4 |

2. Date of commitment, purchase, or cancellation:

\_\_\_\_\_ (Date) (Amends or cancels agreement of \_\_\_\_\_ (Date) )

3. a. Gross amount of loan commitment, or  
b. Face amount of purchased paper:

\$ \_\_\_\_\_

4. Type of obligor (*check code; if "other foreign obligor", see instructions*):

- |  |                             |  |
|--|-----------------------------|--|
| Foreign official institution             | <input type="checkbox"/> 01 | Other foreign obligor ( <i>enter code from list provided in instructions</i> ) _____ |
| Foreign bank (other than a central bank) | <input type="checkbox"/> 02 |  |
| Provincial or local government           | <input type="checkbox"/> 03 |  |

5. If obligor is not an official institution or provincial or local government, is obligor a government-owned enterprise (  yes  no ), or the subsidiary or affiliate of a U. S. person (  yes  no )?

6. Country of obligor: \_\_\_\_\_

7. Purpose:

a. If direct evidence is held that all or part of loan is for purpose of financing specific orders for U.S. goods and services, indicate:

Amount of credit usable only for this purpose \$ \_\_\_\_\_

Type of goods or services financed \_\_\_\_\_

Documentation being held by you relating to such specific export transactions (*see instructions*) \_\_\_\_\_

b. If purpose involves demonstrable financing of U. S. exports not reportable under (a) above, indicate:

Approximate amount being used for this purpose \$ \_\_\_\_\_

Relationship of loan to financing of U. S. exports \_\_\_\_\_

c. To extent all or part of loan is not reportable under either (a) or (b) above, describe intended use of loan proceeds (*see instructions*) \_\_\_\_\_

8. Do you anticipate that this loan will have to be refinanced on or before maturity?  Yes  No  
If answer is "Yes", describe to extent possible. (*See instructions.*)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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P  
A  
R  
T  
B

9. Guarantor or second name (check code or codes):

- |                  |                            |                  |                            |
|------------------|----------------------------|------------------|----------------------------|
| None             | <input type="checkbox"/> 1 | Other U. S. name | <input type="checkbox"/> 3 |
| Eximbank or FCIA | <input type="checkbox"/> 2 | Foreign name     | <input type="checkbox"/> 4 |

10. a. In case of direct loan, indicate participation with other lenders (check code or codes), or  
b. In case of purchased paper, indicate seller (check code):

- |                          |                            |                             |                            |
|--------------------------|----------------------------|-----------------------------|----------------------------|
| None (direct loans only) | <input type="checkbox"/> 1 | Other U. S. person          | <input type="checkbox"/> 4 |
| Eximbank                 | <input type="checkbox"/> 2 | Official int'l organization | <input type="checkbox"/> 5 |
| U.S. commercial bank     | <input type="checkbox"/> 3 | Foreign lender              | <input type="checkbox"/> 6 |

11. Repayment schedule:

- a. Final maturity on \_\_\_\_\_ (Date) (or \_\_\_\_\_ (Years and months))  
after \_\_\_\_\_ (Indicate whether initial, final or other) takedown)
- b. If repayment in installments, first installment due \_\_\_\_\_ (Date)  
(or \_\_\_\_\_ (Years and months) after \_\_\_\_\_ (Indicate whether initial, final or other) takedown)  
Number or frequency of installments \_\_\_\_\_  
Initial installment \$ \_\_\_\_\_ ; final installment \$ \_\_\_\_\_
- c. If revolving credit, check here

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C

12. Takedown schedule:

- a. Initial takedown (on \_\_\_\_\_ (Date) ) (by \_\_\_\_\_ (Date) ) or (  unknown )
- b. Amount of initial takedown, if known \$ \_\_\_\_\_
- c. Final takedown (on \_\_\_\_\_ (Date) ) (by \_\_\_\_\_ (Date) ) or (  unknown )

13. Other terms and conditions:

- a. Commitment fee provisions \_\_\_\_\_  
\_\_\_\_\_
- b. Interest rate provisions \_\_\_\_\_  
\_\_\_\_\_

14. Other customer relationship in past 12 months (check code; if loan customer, enter current loan balances and undisbursed commitments under all prior loan agreements without regard to maturity):

- |                       |                            |  |
|-----------------------|----------------------------|--|
| None                  | <input type="checkbox"/> 1 | Other relationship (describe briefly):<br>_____<br>_____ |
| Deposit customer only | <input type="checkbox"/> 2 |  |
| Loan customer         | <input type="checkbox"/> 3 |  |
- Other loan balances \$ \_\_\_\_\_
- Other commitments \$ \_\_\_\_\_

15. Do the terms and conditions of this credit conform with those generally used for the type of transaction involved?  Yes  No  No established pattern

AUTHORIZED SIGNATURE:

Under penalties of perjury, I declare that I have examined this return and to the best of my knowledge and belief it is true, correct, and complete.

DATE \_\_\_\_\_

SIGNATURE OF OFFICER \_\_\_\_\_

TITLE \_\_\_\_\_

BANK \_\_\_\_\_