

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, N.Y.

RECTOR 2-5700

March 23, 1965

To the Member Firm (New York Stock Exchange)
or Investment Advisory Service Addressed:

On February 10, 1965, the President of the United States announced his program to improve the United States balance-of-payments situation. This program gave to the Federal Reserve System--in cooperation with the Treasury--the responsibility to work with banks and nonbank financial concerns in voluntary efforts to restrain foreign lending and investing activities. The Department of Commerce was given the responsibility for working with business concerns to effectuate a reduction in their capital outflows.

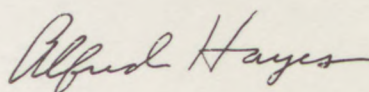
On March 3, 1965, the Board of Governors of the Federal Reserve System issued tentative guidelines for foreign lending activities of nonbank financial institutions and on March 4 the Board issued its guidelines for foreign lending activities of commercial banks. On March 16, the Department of Commerce announced its program for business concerns. For your information, we enclose:

- (1) a copy of our Circular No. 5627 which contains the press release of the Board on the implementation of the program with respect to nonbank financial institutions, Chairman Martin's letter and the guidelines;
- (2) our Circular No. 5628 which contains the Board's press release on the guidelines for commercial banks and the guidelines;
- (3) our letter of March 12 to certain nonbank financial institutions and two copies of the statistical questionnaire referred to therein; and
- (4) our Circular No. 5633 containing a March 17 press release of the Department of Commerce, Secretary of Commerce Connor's letter released March 17, and the press release and Summary Worksheet referred to therein.

Our purpose in sending this material to you is to aid you in understanding the goals of the program and the manner in which it is being implemented, and to assist you in complying with the spirit of the program in advising customers on the investment of their funds. If you hold foreign securities or other claims against foreigners for your own account, we would appreciate your filling in one copy of the statistical questionnaire and returning it to the Balance of Payments Division as soon as possible.

If you have any questions or comments on the program to improve our balance-of-payments position, please contact our Foreign Department (Telephone Extension 1000) which is in charge of its administration at this Bank. Questions regarding statistical information should be directed to our Balance of Payments Division (Telephone Extension 2000). Your cooperation, as well as that of the banks, other nonbank financial institutions, and business concerns is essential to the continued strength of the dollar and the success of the program.

Very truly yours,



Alfred Hayes
President

Enclosures

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, N.Y.

RECTOR 2-5700

March 12, 1965

In his letter to you of March 3, Chairman Martin set forth the guidelines proposed by the Federal Reserve System for 1965 on the foreign lending and investing activities of financial institutions other than commercial banks. This program of voluntary restraint in institutional lending abroad, in combination with the limitations suggested on commercial bank credit extensions to foreign borrowers, constitutes a vital part of the national effort proposed by the President to improve our balance of payments position. Enclosed for your reference is a copy of our Circular No. 5627 which contains the press release of the Board of Governors on the implementation of the program with respect to non-bank financial institutions, Chairman Martin's letter and the guidelines.

In the absence of President Hayes, I am writing to amplify some aspects of this voluntary credit restraint program, and to request statistical information regarding the extent of your institution's foreign investment holdings, if any. As to the program, you will note that no guideline is proposed on credits (including corporate stock) with maturities over 5 years. The aggregate volume of such credit going abroad would seem to have been effectively curtailed by application of the Interest Equalization Tax, so that no voluntary restriction of such credit by investors seems necessary or appropriate as of now. The situation will bear watching, of course, and our intention is to set up a simple periodic survey covering both short-term and long-term foreign credits beginning with the first quarter of 1965.

Under the voluntary program, there is no intent to restrict the reinvestment of funds received from ordinary business operations abroad. Investments representing reserves on insurance policies sold abroad are specifically excluded from the program's coverage, as will be any other similar investments required by the nature of foreign operations, when and if they are brought to our attention.

Individual institutional restraint in lending is sought principally on loans, investments and other credits carrying final maturities of 5 years or less. The suggested 5 per cent ceiling on growth in such holdings this year is comparable to that requested of the commercial banks, and is needed on the grounds of equity among financial institutions as well as to help guard against a shifting of credit demands from banks to other lenders. In addition, we are proposing that holdings of foreign deposits and money market instruments be

(over)

limited to no more than the 1964 year-end amounts, and that a gradual reduction to the 1963 year-end level should be accomplished over the remainder of this year. Care should be taken, however, to avoid repatriating liquid funds so rapidly that the foreign markets in which they are invested become unduly constricted.

The purpose of this program is to improve our balance of payments, but other national objectives should also be kept in mind. It seems clear that credit tied directly to the financing of U.S. exports should be accommodated to the extent possible under the guidelines, since exports also enter into the balance of payments. Also, priority should be given to the sound and potentially productive credit needs of less developed countries, in view of our national objective of facilitating the economic growth and development of such nations. Finally, care should be taken to avoid restrictive policies that would place an undue burden on Canada and Japan, which are heavily dependent upon U.S. financial markets, and on the United Kingdom, which is suffering from balance of payments difficulties.

The guidelines that we propose are tentative (though they should be regarded as effective until further notice) mainly because we have only limited information regarding the extent and character of the foreign credits held by institutional lenders. For this reason, I am enclosing two copies of a statistical form designed to provide us with bench-mark information on your foreign investments at the ends of 1963 and 1964. Most institutions will hold only a few of the classes of investments included in the questionnaire, and some probably will have none. In any event, however, we would appreciate your completing the form and returning one copy to this Federal Reserve Bank on or before March 26, 1965. Any information concerning the position of individual institutions will be held in strict confidence, for the use only of this Bank and of the Federal agencies involved in the President's balance of payments program.

If you have any questions or comments regarding the program, please contact our Foreign Department (Telephone Extension 1000) which is in charge of its administration at this Bank. Questions regarding the statistical form should be directed to our Balance of Payments Division (Telephone Extension 2000). We sincerely trust that we can count on you for your cooperation in this matter. Substantial improvement in the balance of payments is essential to the continued strength of the United States in international, economic and financial affairs.

Very truly yours,

William F. Treiber

William F. Treiber
First Vice President

Enclosures

(over)

INSTRUCTIONS

Statistical Questionnaire on Foreign Assets of U.S. Nonbank Financial Institutions and Nonprofit Organizations

Introduction

The information requested on this statistical questionnaire is needed by the Federal Reserve System for the purpose of administering, at the request of the President of the United States, a voluntary program of restraint in foreign lending and investing to improve the U.S. balance of international payments. Data from the reports of individual institutions will be held in strict confidence among those Federal agencies involved in the President's balance-of-payments program.

Procedure

The questionnaire should be completed and returned by March 26, 1965 to the Balance of Payments Division, Federal Reserve Bank of New York, New York, N. Y. 10045. Questions encountered in completing the questionnaire may be addressed to the Balance of Payments Division. Institutions having no foreign assets should note this fact on the questionnaire and return it.

Coverage

The questionnaire is intended to cover all foreign assets held by the reporting institution as of the end of 1963 and the end of 1964. Foreign assets should be reported gross, without deduction of any offsets, except that item IB is to be reported net.

A U.S. institution that has foreign branches or affiliates (as defined below) should report only the foreign assets of the U.S. parent institution. It should not report the foreign assets of its foreign branches or affiliates, but should report, under item I, its own investment in such branches and affiliates.

Valuation and Estimation

Foreign assets should be valued in the same way as on the books of the reporting institution. Assets carried on the institution's books in terms of foreign currencies should be converted into U.S. dollars at the exchange rates prevailing on the date for which the assets are reported.

Where it is impracticable to provide accounting data, estimates should be used and this fact should be noted.

Definitions

For purposes of this questionnaire, the following definitions apply:

"Foreign assets" include assets in, or claims on residents of, all countries other than the United States; foreign assets also include claims on international institutions. The United States includes Puerto Rico, American Samoa, the Canal Zone, Guam, Midway Island, Virgin Islands, and Wake Island.

"Foreign branches and affiliates" are foreign enterprises in which the reporting U.S. institution holds 10 per cent or more of the equity ownership.

"Maturity" is measured to the date of final repayment in the case of contractual obligations that fall due in instalments. Obligations payable on demand are classified as "short-term." Common and preferred stocks are classified as "long-term."

"Deposits" include both demand and time deposits (including negotiable certificates of deposit) held with foreign banks, foreign branches of U.S. banks, and other depository institutions.

"Money market instruments" include short-term securities of foreign governments and their instrumentalities, foreign commercial paper, foreign finance company paper, foreign bankers' acceptances, and all other negotiable instruments (except certificates of deposit and paper accepted by a U.S. bank or corporation) issued by foreign obligors and maturing in one year or less.

"Other developed countries" are: Australia, Austria, Belgium, Denmark, France, Germany (Federal Republic), Hong Kong, Italy, Liechtenstein, Luxembourg, Monaco, Netherlands, New Zealand, Norway, Republic of South Africa, San Marino, Spain, Sweden, Switzerland, and the United Kingdom.

(Name of Reporting Institution)

FEDERAL RESERVE BANK OF NEW YORK

Statistical Questionnaire

(Reporting Official)

President's Balance of Payments Program, March 1965

Foreign Assets of U.S. Nonbank Financial Institutions and Non-Profit Organizations

(In thousands of dollars)

	December 31, 1963					December 31, 1964				
	Canada	Japan	Other Developed Countries ¹	Other Countries ²	Total	Canada	Japan	Other Developed Countries ¹	Other Countries ²	Total
I. Investment in foreign branches and affiliates:										
A. Permanent capital										
B. Net loans and advances										
Total										
II. Other foreign assets:										
A. Short-term assets (with original maturities of one year or less):										
1. Deposits in U.S. dollars ...										
2. Deposits in foreign currencies										
3. Money market instruments.										
4. Loans and mortgages										
5. Other short-term assets										
Total short-term assets ..										
B. Medium-term assets (with original maturities of more than one year but not more than 5 years):										
1. Deposits										
2. Loans and mortgages										
3. Bonds										
4. Other medium-term assets..										
Total medium-term assets										
C. Long-term assets (with original maturities of more than five years):										
1. Deposits										
2. Mortgages										
3. Other loans										
4. Bonds										
5. Stocks										
6. Other long-term assets										
Total long-term assets ...										
III. Grand total of foreign assets listed above										

¹ Listed in instructions.

² Including international institutions.

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, N. Y.

RECTOR 2-5700

ALFRED HAYES
PRESIDENT

March 23, 1965

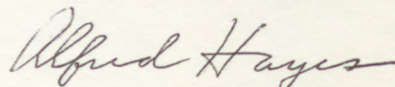
As you know, since the issuance last month of the Executive Order extending the Interest Equalization Tax to certain foreign debt obligations acquired by commercial banks, each bank that has foreign branches has been required to file two or, in a number of cases, three new forms with the Commissioner of Internal Revenue: Form 3953, "U.S. Commercial Bank Weekly Information Return"; Form 3954, "U.S. Commercial Bank Monthly Information Return"; and, if a bank has foreign subsidiaries, Form 3964, "Weekly Information Return with Respect to Foreign Commercial Banking Subsidiaries". The first weekly returns were filed for the week ended February 19, 1965 (and were accompanied by special returns for the close of business on February 5, 1965). The first monthly form is due on or before March 30, to cover information as of the end of February 1965.

You may recall that on February 16 I wrote to your bank requesting permission for the Federal Reserve Bank of New York to use, in helping to implement the President's Balance of Payments Program, the information you submit to the Treasury Department in connection with the Interest Equalization Tax. Your bank has kindly consented to this. We would therefore very much appreciate your making available directly to us copies of the reports that you will be filing with the Treasury on the forms mentioned above, as well as copies of the reports you have already filed during the past few weeks. The Treasury Department has given its approval of this procedure. The envelopes containing these forms should have the same address as you have been using for the delivery to us of the Commercial Bank Information Return covering loans and commitments to foreign obligors (Form No. 48-R416.1), namely:

Secretary of the Treasury
IET Form
c/o President, Federal Reserve Bank
of New York
New York, New York 10045

Thank you for your cooperation.

Yours sincerely,



Alfred Hayes

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, N.Y.

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March 23, 1965

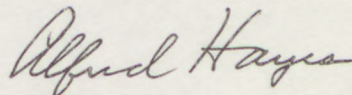
In order to implement the portion of the President's balance-of-payments program that involves the banking community, the Federal Reserve System will need information in addition to that already reported on Treasury Foreign Exchange Forms B-2 or B-3. This information will also be useful to your bank to measure your progress in achieving the objectives of the program.

Accordingly, there are enclosed 12 copies of Form FR 391, which has been designed to supplement the information reported on Treasury Forms B-2 or B-3. Instructions concerning those items not reported on Forms B-2 or B-3 appear on the reverse of Form FR 391. You will note from the general instructions relating to the form that your report as of December 31, 1964, and as of February 28, 1965, should be filed by April 10, 1965.

For your information, all banks in the United States that do not report on Treasury Forms B-2 or B-3 are being requested to file quarterly reports if they have foreign claims of \$100,000 or more.

Questions concerning Form FR 391 should be addressed to our Balance of Payments Division (Telephone Extension 2000). Other questions concerning the balance-of-payments program should be addressed to our Foreign Department (Telephone Extension 1000).

Very truly yours,



Alfred Hayes
President

Enclosures

Name of Reporting Bank

Report as of _____
Date

Official Signature

Federal Reserve Bank of New York

Monthly Report on Foreign Claims
(In thousands of dollars)

See Instructions on Reverse Side

- (1) Total claims reported on Treasury Foreign Exchange Forms B-2 and B-3 \$ _____
- (2) Claims included in (1) for customers \$ _____
- (3) Participations in individual Export-Import Bank loans, and loans to foreigners guaranteed or insured by Export-Import Bank, reported on Forms B-2 and B-3 _____
- (4) Sum of Item 2 and 3 _____
- (5) Item 1 less Item 4 _____
- (6) Foreign long-term securities held for own account _____
- (7) Investments in foreign subsidiaries, affiliated and associated companies, and branches _____
- (8) Other foreign holdings for own account _____
- (9) Sum of Items 6, 7 and 8 _____
- (10) Grand total (Sum of Item 5 and Item 9) _____
- (11) December 31, 1964 base (Item 10 on your report as of December 31, 1964) _____
- (12) 105 per cent of Item 11 _____
- (13) Item 12 minus Item 10 _____
- (14) Memorandum Item
New loans made during the month to domestic obligors guaranteed by foreigners. (Applicable only to reports beginning with April, 1965.) _____

GENERAL INSTRUCTIONS F.R. 391

INTRODUCTION. This report form is designed for use in implementing the voluntary effort to curtail foreign credit by banks, in accordance with the guidelines issued by the Federal Reserve System.

WHO SHOULD REPORT. All U.S. banks and banking institutions that report on Treasury Foreign Exchange Forms B-2 or B-3. Banks with domestic Edge Act or Agreement Corporation subsidiaries may either submit a consolidated report which includes the claims of such subsidiaries, or submit separate reports for itself and for these subsidiaries. In either case, the foreign claims of such subsidiaries should be reported in the appropriate Items, including Items 6, 7, and 8.

FREQUENCY OF REPORT. Reports are to be filed for December 31, 1964, and for February 28, 1965, and monthly thereafter. The reports for December 1964 and February, 1965 should be filed by April 10, 1965. Subsequent reports should be filed by the 20th of the month following the month covered by the report.

DEFINITIONS to be used in completing this report are identical with those on Forms B-2 and B-3.

SPECIFIC INSTRUCTIONS

ITEM 2. Include any assets held for domestic customers by any department of your bank, including the trust department, and reported on Treasury Forms B-2 or B-3.

ITEM 3. Enter the amounts included on Treasury Forms B-2 and B-3 which represent the following: (1) Your participation in individual loans of the Export-Import Bank of Washington whether or not such participations are guaranteed by the Export-Import Bank (but not including your holdings of "Eximbank Portfolio Fund" certificates, since such holdings are not reportable on Form B-2 or B-3); and (2) other claims on foreigners which are guaranteed by the Export-Import Bank or insured under an insurance policy issued by the Foreign Credit Insurance Association in conjunction with the Export-Import Bank.

ITEMS 6, 7, 8. Those items are not reportable on Forms B-2 or B-3.

ITEMS 6. Foreign long-term securities are securities issued by "foreigners" (as defined on the Treasury Foreign Exchange Forms) without a contractual maturity or with an original maturity of more than one year from the date of issue. (Include your holdings of such securities in this item even though they mature within less than one year from the date of this report.) Exclude stock investments reportable in Item 7.

ITEM 7. Enter here the book value of your permanent capital invested in foreign branches and in subsidiaries and associated and affiliated companies located outside the United States and its territories. For this report use the book value of the investment as it appears on the books of the foreign branch or affiliated company, as of the latest available date, including any accumulated profits or surplus reserves. Subsidiaries and associated or affiliated companies are foreign enterprises in which the respondent holds 10 per cent or more of the equity ownership. Do not include claims reportable on Treasury Forms B-2 and B-3 (which are reported in item 1) or any security holdings reported in Item 6.

ITEM 8. Enter (a) long-term assets other than those included in Items 1, 6 or 7--e.g., real estate.

(b) short-term and/or long-term claims not reported on Forms B-2 or B-3 because, under the exemption provisions for the respective forms, you were not required to file a report.

(c) claims of any of your U.S. branches which you did not include on Forms B-2 or B-3 because of the exemption provisions separately applicable to branches.

ITEMS 11, 12, 13. These Items should be completed for reports beginning with the one for February 28, 1965.

MEMORANDUM ITEM 14.

Beginning with the report for April 1965, enter the amount of new loans made during the month to obligors located in the United States which are guaranteed by foreigners, including guaranteed loans to U.S. subsidiaries, branches and other affiliates of foreign banks, corporations or other foreign entities.

From

This bank held foreign assets as described in your letter dated March 23, 1965, in the amount of \$100,000 or more on December 31, 1964, or holds them in such amount at present.

.....
Signature of Officer

Digitized for FRASER.....

<http://fraser.stlouisfed.org>/Date

.....
Title

Federal Reserve Bank of St. Louis

THIS SIDE OF CARD IS FOR ADDRESS



FEDERAL RESERVE BANK OF NEW YORK,

Federal Reserve P. O. Station,

New York, N. Y. 10045