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FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045

AREA CODE 212 RE 2-5700

July 30, 1965

To the Member Firm (New York Stock Exchange) Addressed:

On June 21, 1965, pursuant to the President's balance-of-payments program, the Federal Reserve System issued revised guidelines on foreign lending and investing for U. S. nonbank financial institutions. These revised guidelines were set forth in our Circular No. 5669, a copy of which is enclosed. That circular transmitted a request to nonbank financial institutions to file a quarterly report if they hold $500,000 or more in foreign loans, investments, or other foreign financial assets.

Margin credit extended to foreign customers by security brokers and dealers constitutes a foreign credit for purposes of the guidelines. Accordingly, if your firm holds margin accounts of foreigners and other foreign assets totaling $500,000 or more, we would appreciate your filing the first report on Form FR 392 by August 20. For your convenience, we enclose 10 copies of that form.

If you have any questions or comments regarding the revised guidelines, or if you wish to discuss with us any aspects of the President's program, please contact our Foreign Department (Telephone Extension 1000), which is in charge of the administration of the program at this Bank. Questions on the reporting requirements should be directed to our Balance of Payments Division (Telephone Extension 2000).

Yours sincerely,

Alfred Hayes
President

Enclosures 11

(See Instructions on reverse side)

(Name of Reporting Institution)

(City and State)

(Reporting Official and Title)

Form FR 392 (Budget Bureau #55R–222)
FEDERAL RESERVE BANK OF NEW YORK
Statistical Report for the President's
Balance of Payments Program

Quarter ending ....
(Date)

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

(End of quarter data in dollars)

	Canada	*Japan*	*Other Developed Countries*[1]	*Other Countries*[2]	*Total*
1. *Assets under Guideline No. 1*					
Liquid investments					
(a) Deposits					
(b) Money market instruments					
Total liquid investments					
2. *Assets under Guideline No. 2*					
Credits with final maturities of 10 years or less at date of acquisition and financial investment in affiliates abroad					
(a) Bonds issued by international institutions	XXX	XXX	XXX		
(b) Other credits					
(c) Investment in foreign branches, subsidiaries and affiliates engaged in finance, insurance, and real estate					
Total assets under Guideline No. 2					
3. *Assets under Guideline No. 3*					
Credits with final maturities of more than 10 years at date of acquisition, and equity securities					
(a) Bonds issued by international institutions	XXX	XXX	XXX		
(b) Other credits					
(c) Stocks					
Total assets under Guideline No. 3					
4. *Grand total of foreign assets listed above*					
MEMORANDUM ITEMS					
1. *For all reporters*					
(a) Net purchases (+) or sales (—) of foreign stock during quarter (at market value)					
2. *For insurance companies only*					
(a) Reserves held abroad against insurance sold in foreign countries (including policies denominated in U.S. dollars as well as in foreign currencies)					
(b) Foreign assets held within the country involved against up to 110 per cent of foreign policy reserves, plus deposits of cash or securities required as a condition of doing insurance business within the country involved. (Assets listed in this memorandum item should not be included under guidelines above.)					

[1] "Other developed countries" are: Australia, Austria, the Bahamas, Belgium, Bermuda, Denmark, France, Germany (Federal Republic), Hong Kong, Ireland, Italy, Kuwait, Liechtenstein, Luxembourg, Monaco, Netherlands, New Zealand, Norway, Portugal, Republic of South Africa, San Marino, Spain, Sweden, Switzerland, and the United Kingdom. Also to be considered "developed" are countries within the Sino-Soviet bloc listed in notes at end of revised guidelines.

[2] Excluding international institutions (see instructions for coverage).

INSTRUCTIONS

Quarterly Report on Foreign Asset Holdings 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 for the use of this Bank and those Federal agencies involved in the President's balance-of-payments program.

Procedure

Any nonbank financial institution holding $500,000 or more in foreign loans, investments or other foreign financial assets on June 30, 1965, or at the end of any subsequent calendar quarter, is requested to file a statistical report on such holdings. Holdings as of December 31, 1964, the base date, should be filed together with the first quarterly report. These reports should be completed and returned, addressed to the Balance of Payments Division, Federal Reserve Bank of New York, within 20 days after the end of the quarter.

Institutions which reported foreign asset holdings for the end of 1964 in response to the March 1965 questionnaire should complete and file a new form for December 31, 1964 because reporting categories under the new guidelines are different. Questions encountered in completing quarterly report forms should be addressed to our Balance of Payments Division (Telephone Extension 2000).

Coverage

Quarterly reports are intended to cover all foreign assets held by the reporting institution on the reporting date. Assets should be reported gross, without deduction of any offsets, except that loans and advances *to* branches, subsidiaries, and affiliates (included in item 2(c)) should be reported net of loans and advances *from* such branches, subsidiaries, and affiliates to the domestic parent institutions.

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 list the foreign assets of its foreign branches or affiliates, but should report, under item 2(c), its own net financial investment in branches and affiliates engaged principally in finance, insurance, or real estate activities. Net financial investment includes payments into equity and other permanent capital accounts of, and net loans and advances to, such branches and affiliates; earnings of affiliates that are reinvested in the business should be excluded.

Insurance companies should report foreign assets held within the country involved against up to 110 per cent of foreign policy reserves in the separate memorandum item at the bottom of the reporting form. This item should also include any deposits of cash or securities required by governmental authorities as a condition of doing insurance business within the country involved. Assets shown in the memorandum item should not be included in the body of the report under the three guideline categories.

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 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, as well as the 50 States and the District of Columbia.

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

"Deposits" include both demand and time deposits (including negotiable certificates of deposit) held with foreign banks, foreign branches of U. S. banks, and other depositary institutions. All deposits, regardless of maturity, and in both U. S. dollars and foreign currencies, should be included. While the guideline is not intended to restrict the holding of working balances needed in the ordinary conduct of business abroad, such balances should be reported along with other deposits and liquid investments. In cases where the needs of a firm for working balances have increased, this fact can be communicated to the Federal Reserve Bank as an explanation for an increase in holdings of total liquid funds.

"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 and readily marketable instruments (except certificates of deposit and paper accepted by a U. S. bank or corporation) issued by foreign obligors and carrying original maturities of one year or less. Securities and business credits which are not readily marketable but which carry maturities of one year or less are not considered to be "money market instruments" for purposes of this report; they should be included with assets reported under Guideline No. 2.

The "maturity" of any asset is the period to final repayment at date of acquisition. A credit transaction should not be classified as "long-term" (and hence subject to Guideline No. 3), however, unless 10 per cent or more of the amount to be repaid is scheduled—at the time of acquisition—to be repaid *after* 10 years. Common and preferred stocks should be included as "long-term" assets under Guideline No. 3, except for equities in foreign affiliates engaged in finance and real estate (included under item 2(c)).

"International institutions" include the Inter-American Development Bank and the International Bank for Reconstruction and Development plus its affiliates.