FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6605
September 17, 1970]

Change in Guidelines for Banks Under the President's Balance of Payments Program

Effective September 1, 1970

To All Banks in the Second Federal Reserve District:

The following statement was made public yesterday by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today amended an export loan definition in the guidelines under which U.S. banks limit their lending to foreigners. Banks may now count export term loans of any size against their export term-loan ceilings under the Voluntary Foreign Credit Restraint guidelines. Heretofore, only such loans amounting to $250,000 or more each were to be counted under those ceilings.

Governor Andrew F. Brimmer, the member of the Board who has responsibility for administering the guidelines, explained that the $250,000 floor had been carried over, along with other criteria, from a Treasury Department reporting requirement. The latter requirement had been adopted because it was already in wide use among banks when the export term-loan ceilings were created in December 1969 as a supplement to general ceilings. Experience since that date indicates that the dollar floor for export term loans can be dropped without administrative difficulty and with some benefit, particularly for smaller banks, as well as for smaller exporters who seek to arrange credits for their foreign customers.

Use of the export term-loan ceilings, Governor Brimmer added, has grown modestly. Presently, these ceilings in the aggregate are $1.4 billion (compared to an aggregate of $10 billion of general ceilings), and outstanding loans on exports shipped since December 1, 1969 have only recently surpassed $100 million. Some export term loans, he pointed out, are exempt from the guidelines under other provisions; for example, loans to Canadians, loans guaranteed by the Export-Import Bank, and loans covered by FCIA insurance.

The amendment announced today is effective starting with the current monthly reporting period. This means that export term loans, regardless of size, granted after August 31, 1970, may be charged to a bank's export term-loan ceiling rather than to its general ceiling.

The text of the change in the guidelines is printed below. Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President.

CHANGE IN GUIDELINES FOR BANKS

Effective September 1, 1970

II. BANKS

G. Definitions

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3. An "export term loan" is a claim on a foreigner having an original maturity of more than 1 year and for the demonstrable financing of one or more specific export transactions involving the shipment of U.S. goods to a foreign destination or the performance of U.S. services abroad. The loans may be made directly by a bank or may be made indirectly by a bank through its purchase of documented loan paper. For the purpose of the present guidelines, such loans that are to be counted against an export term-loan ceiling are confined to credits financing U.S. exports shipped after November 30, 1969, or services performed abroad by U.S. individuals or U.S. firms after November 30, 1969. Such loans exclude debt obligations acquired by a bank and having not more than a year of remaining term until maturity (regardless of original length of maturity). The loans also exclude Export-Import Bank certificates of participation in a pool of loans. (Participations with the Export-Import Bank in particular loans and loan paper purchased from the Export-Import Bank of foreign obligors are exempted under section II-B-2, above.)