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REPORT BY THE
Comptroller General
OF THE UNITED STATES

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RELEASED

Considerable Increase in Foreign Banking In The United States Since 1972

Foreign banks have become an important factor in the U.S. banking market. Since 1972, foreign banks have doubled their share of U.S. banking assets.

Most of this growth has been through foreign banks opening new offices in the United States. Foreign bank activity was most pronounced in 1977 and 1978, when foreign banks established more U.S. bank offices than they had in the previous 4 years, and when foreign parties acquired controlling interest in 42 U.S. banks.



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GGD-79-75
AUGUST 1, 1979



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-194191

The Honorable Fernand J. St Germain
Chairman, Subcommittee on Financial
Institutions Supervision, Regulation
and Insurance
House Committee on Banking, Finance
and Urban Affairs

Dear Mr. Chairman:

This report discusses the growth of international banking, emphasizing foreign banking activities in the United States and the progress of the Department of Treasury's task force study on whether U.S. institutions abroad are receiving equal competitive opportunity with foreign banks.

This report is the first of two responding to your March 2, 1979, request that we review the growing significance of foreign banking operations in the United States and the continuing significance of U.S. banking operations in foreign countries. The second report will more comprehensively address the issues surrounding the international activities of banks.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from the date of the report. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours

A handwritten signature in black ink, appearing to read "James A. Stacks".

Comptroller General
of the United States

REPORT BY THE
COMPTROLLER GENERAL
OF THE UNITED STATES

CONSIDERABLE INCREASE
IN FOREIGN BANKING
IN THE UNITED STATES
SINCE 1972

D I G E S T

International banking has grown rapidly since the 1950s. Initially, U.S. bankers expanded their operations to foreign countries. In the 1960s and 1970s foreign bankers began expanding their presence in the United States. Foreign banks have become an important competitive factor in the U.S. banking market and have more than doubled their share of total U.S. banking assets since 1972.

At the end of 1977, U.S. banks operated 888 foreign branches and subsidiaries. By comparison, there were 265 U.S. branches, agencies, and subsidiaries of foreign banks in February 1978. These U.S. offices of foreign banks controlled assets of nearly \$84 billion, or 8.4 percent of total U.S. banking assets. (See ch. 1.)

During the period between 1966 and 1977, U.S. banks tripled their number of foreign branches, going from 244 to 730. Foreign bank operations in the United States tripled in a much shorter period. Between November 1972 and February 1979, the number of foreign bank agencies, branches, and subsidiaries in the United States increased from 104 to 318. (See p. 10.) The increase in foreign banking activity was more pronounced in 1977 and 1978 when foreign banks established 112 offices or 19 more than they had established during the previous 4 years.

GGD-79-75

Foreign banks appear to be most competitive with the Nation's largest banks. In November 1978, foreign bank commercial and industrial loans equalled 19.5 percent of similar loans made by the largest banks. (See p. 14.)

The control of U.S. chartered depository institutions is a subject of increasing interest. As GAO reported to the Subcommittee on Commerce, Consumer and Monetary Affairs (GGD-79-42, June 19, 1979), there is no systematic, comprehensive mechanism for gathering information on all foreign investment in existing U.S. depository institutions. According to the best information available, foreign investors have purchased and maintained controlling interest in 71 existing banks and 8 savings and loan associations. Also, foreign investors were initially involved in the establishment of 11 new U.S. chartered banks between 1972 and 1979. (See ch. 4.)

Foreign purchasers were most active in 1977 and 1978, when they acquired controlling interest in 42 banks. Though the number of foreign acquisitions in 1979 has not yet reached those proportions, one possible acquisition could add over \$14 billion to the total of foreign-controlled banking assets. This amount would increase the total estimated assets of all previously acquired banks still controlled by foreign interests by 53 percent. (See p. 19.)

The International Banking Act of 1978 ^{Current, Legislation} (Public Law 95-369) directed the Secretary of the Treasury to study the extent to which U.S. banks are denied the same competitive opportunity afforded to domestic bank operations in foreign countries. U.S. depository institutions and embassies

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CHAPTER 1

HISTORY OF U.S. ACTIVITY IN INTERNATIONAL BANKING

International banking has grown rapidly since the 1950s. After World War II, the United States began expanding its foreign activities, including expansion into foreign banking. Later, foreign interests began rapidly expanding their investments in banks in the United States.

As of December 1977, there were 888 foreign branches and subsidiaries of U.S. banks located in foreign countries. By comparison, as of February 1978, there were 265 branches, agencies, and subsidiaries of foreign banks located in the United States. These U.S. offices of foreign banks controlled assets of nearly \$84 billion, or 8.4 percent of the total U.S. banking assets.

Japanese, Canadian, and Western European banks account for over 90 percent of the \$84 billion in U.S. assets controlled by foreign banks. ^{1/} The following table compares assets of U.S. offices of Japanese, Canadian, and Western European banks with assets of U.S. banks' offices in those countries.

	<u>U.S. controlled bank assets in foreign countries (as of Dec. 1977)</u>	<u>U.S. controlled bank assets in foreign countries as percent of total bank assets in those countries</u>	<u>Foreign bank controlled assets in the United States (as of Feb. 1978)</u>	<u>Foreign bank controlled assets in the United States as a percent of total U.S. bank assets</u>
	(in millions)	(percent)	(in millions)	(percent)
Japan	\$12,200	1.5	\$27,140	2.7
Canada	2,700	2.5	11,027	1.1
Western Europe ^{a/}	133,900	6.9	37,759	3.8

^{a/}Includes \$91,300 million in the United Kingdom.

^{1/}Foreign banks from countries other than Japan, Canada, and Western Europe control U.S. assets of over \$8 billion and account for 9.6 percent of the foreign bank controlled assets in the United States.

U.S. BANKING IN FOREIGN COUNTRIES

In 1966, 13 U.S. banks had 244 foreign branches, but by the end of 1977, 130 U.S. banks had 730 branches in foreign countries. Why were U.S. banks attracted to the foreign financial market?

As U.S. corporations continued expanding foreign operations, U.S. banks opened foreign offices to provide services to their corporate clients. During times of domestic economic slowdown, U.S. businesses and banks looked to other markets for additional profit opportunities.

Several Federal actions were taken in the 1960s to stop the flow of dollars from the United States. For example, Executive Order 11387, dated January 1, 1968, restricted domestically funded foreign loans, but did not restrict foreign loans funded overseas. The banks had already developed substantial international business. To remain competitive and continue serving their multinational and foreign clients, U.S. banks opened foreign branches. Between 1966 and 1977 the number of foreign branches of U.S. banks increased threefold.

U.S. banks wanted to gain access to the Eurodollar (U.S. dollars deposited in banks outside the United States) market as a source of funds during times of tight money. The banks have been aggressive in competing with foreign banks for corporate business and most recently for local retail banking clients. The U.S. banks, as well as American businesses, wanted to share in the rapid growth of the European economy.

According to the Federal Deposit Insurance Corporation, a factor which stimulated the growth of the Eurodollar market was the presence of interest rate ceilings in domestic markets. Banks operating in locations outside the United States, where similar interest rate controls did not exist, were able to attract additional dollar deposits by raising interest rates to levels exceeding domestic limits.

FOREIGN BANKING IN THE UNITED STATES

The influx of foreign banks to the United States can be attributed to

- foreign banks following foreign business to the United States,
- historical acceptance of the dollar as the world-preferred medium of exchange,
- the size of the U.S. market,
- investment opportunities in the U.S. economy, and
- changes in State banking laws.

Prior to 1960, the few foreign banks in the United States had been established in conjunction with trade between the United States and the parent country -- mainly England, Japan, and Canada. After World War II, the dollar became the internationally preferred currency and the United States a major financial center with New York the headquarters for an increasing number of multinational corporations.

The banking industry was rapidly becoming international. Many foreign banks believed that they would ultimately be shut out of a major part of international banking if they did not have offices in the United States, ^{1/} which had one of the world's largest banking markets. The United States provided a vast financial market and a stable political climate.

During the 1960s, both New York and California liberalized State laws, permitting foreign banks to open U.S. offices. Illinois also changed its banking laws to permit foreign banks in 1973. As of April 1978, some form of foreign banking activity was taking place in 10 States. In 32 States statutes do not cover foreign banking, and in 8 States certain types of foreign bank operations are specifically prohibited.

Because of recent decreased dollar value and depressed U.S. bank stock prices, acquisition has become one of the foreign banks' favored methods of gaining a base of operations in the United States. By taking over a unit already

^{1/}Francis A. Lees, International Banking and Finance, John Wiley & Sons, 1974, p. 168.

established, they immediately obtain deposits and clients. Otherwise, they would have to slowly develop business from the beginning with new branch offices.

Between February 1973 and February 1977, foreign banks established an average of 23 new U.S. offices per year. During the period February 1977 to February 1979, foreign banks established about 56 new U.S. offices per year. Some of the recent increase in foreign bank activity in the United States might be attributed to anticipation of U.S. legislation limiting foreign bank activities. Some foreign banks established U.S. offices which they hoped would be "grandfathered," i.e., allowed to remain because they existed at the time of legislation.

On September 17, 1978, the International Banking Act of 1978 (Public Law 95-369) was enacted to restrict multi-State branching of foreign banks. Those foreign branches which were operating or had applied to operate on or before July 27, 1978, were grandfathered. Although the International Banking Act did somewhat restrict foreign bank activity in the United States, foreign banks may still have an advantage over U.S. banks. For example, certain bank acquisitions are easier for foreign banks than they are for U.S. banks.

CHAPTER 2

FOREIGN INTERESTS GAIN ACCESS TO U.S.

FINANCIAL MARKET IN SEVERAL WAYS

There are few Federal restrictions to foreign banking in this country. Foreign banks and holding companies gain access to the U.S. financial market either by establishing new foreign offices or by acquiring interest in existing U.S. financial institutions. Foreign individuals and non-bank organizations can also acquire interest in existing U.S. financial institutions or invest in new institutions.

The following table summarizes who the foreign investors are, what they invest in, and how the investments are typically made.

<u>Who is the foreign investor?</u>	<u>What type of U.S organization is invested in?</u>	<u>How is foreign control typically obtained?</u>
Bank	Representative office Agency Branch Subsidiary bank	Establish new Establish new Establish new Establish new or acquire by purchase
Individual or nonbank organization	Bank Savings and loan association	Establish new or acquire by purchase Acquire by purchase

FOREIGN BANKS OPERATE THROUGH FOUR TYPES OF OFFICES

Foreign banks generally use four types of offices to establish new operations in U.S. financial markets. While the various types of offices differ significantly, each provides certain advantages to the foreign parent bank.

Representative offices

Of the activities permitted by foreign banks in various States, representative offices are the ones used most. However, they are the most limited in their functions. These offices are not permitted to engage in banking activities, but may receive checks for forwarding to the home office and handle loan papers. They do not receive deposits or make loans. Representative offices often serve as forerunners for other forms of activity, because they are a relatively inexpensive means of establishing a presence in a new location.

Branches

Generally, branches offer the services of banks. They have traditionally focused their lending operations on the U.S. subsidiaries of home country clients, although branches have become increasingly involved in the U.S. corporate banking market. U.S. and foreign corporate deposits and interbank borrowings are the primary source of funds for branches.

Agencies

Agencies carry on a wide range of activities to finance international trade. Handling letters of credit and bills of exchange are two of their primary activities. Agencies differ from branches principally in that they are not permitted to accept domestic deposits. Both, however, are primarily engaged in financing international trade and making loans to other banks and U.S. corporations.

Subsidiary banks

Foreign banks gain control of subsidiary banks when foreign bank branches are prohibited or less attractive, or when subsidiary banks are needed to increase the retail deposit base. These foreign banks gain control of subsidiary banks through acquiring existing domestic institutions or establishing new domestic institutions. Unlike foreign branches or agencies, bank subsidiaries may engage in a full line of banking activities.

TREND TURNS TOWARD BRANCHES AND SUBSIDIARIES

The institutional structure of the foreign banking presence in the United States has changed significantly over the past 7 years. In 1972, agencies, which cannot accept deposits, controlled over half the standard banking assets 1/ and commercial and industrial loans of foreign banking offices in the United States. Since that time, large banks from Western European countries have opened many branches in the United States, and Japanese banks, eager to increase their deposit base, have converted many of their agencies to branches.

As the following table illustrates, branches are currently the dominant organizational form, controlling approximately half of all the standard assets and commercial and industrial loans of U.S. offices of foreign banks.

1/Standard banking assets include loans, money market assets, and securities. Excluded are balances from related institutions and clearing balances. This concept is considered to be a good measure of a bank's true size.

	November 1972			February 1979		
	Standard banking assets (note a)	Commercial and industrial loans	Number of offices	Standard banking assets	Commercial and industrial loans	Number of offices
	----(percent)----			----(percent)----		
Agencies	55.1	63.1	50	26.2	33.7	144
Branches	18.2	14.2	26	49.5	47.4	124
Subsidi- aries	20.7	16.0	25	22.6	17.1	44
Investment companies b/	<u>6.0</u>	<u>6.7</u>	<u>3</u>	<u>1.7</u>	<u>1.8</u>	<u>6</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>104</u>	<u>100.0</u>	<u>100.0</u>	<u>318</u>

a/Standard banking assets include loans, money market assets, and securities. Excluded are balances from related institutions and clearing balances. This concept is considered to be a good measure of a bank's true size.

b/Chartered in New York under the New York State Investment Company Act, these organizations finance high risk trade and participate in venture capital schemes.

By February 1979, the domestic deposit base of U.S. offices of foreign banks was six times greater than it was in late 1972. In November 1972 total deposits and credit balances 1/ of U.S. individuals and corporations amounted to \$3.9 billion; by February 1979 that

1/Credit balances is the term generally used to describe customer balances of agencies of foreign banks. Like deposits, credit balances can be used to make third party payments. However, restrictions (which vary from State to State) on the use of these accounts and the manner in which they may originate limit the usefulness of credit balances as a source of funds for agencies.

figure had grown to \$25.8 billion. This increase can be attributed to the general increase of foreign bank activity in the United States and the trend toward branches and subsidiaries which can accept deposits.

FOREIGN ACQUISITION OF U.S.
FINANCIAL INSTITUTIONS

The foreign acquisition of U.S. banks and savings and loan associations has increased foreign-controlled 1/ assets and activity in the U.S. financial market. Acquisition provides an immediate presence in a given market since the foreign purchaser acquires the existing deposit and customer bases. Chapter 4 discusses foreign acquisitions of U.S. financial institutions in greater detail.

1/Foreign control of U.S. banks and savings and loan associations is defined in Titles VI and VII of Public Law 95-630, the Change in Bank Control Act of 1978 (92 Stat. 3686) and the Change in Savings and Loan Control Act of 1978 (92 Stat. 3689), respectively. Generally, acquisition of greater than 25 percent of a bank's or savings and loan association's stock is considered control. However, under certain circumstances, the acquisition of less than 25 percent can constitute control. "Controlling" shareholders are not necessarily majority shareholders.

CHAPTER 3

RAPID INCREASE IN U.S. OFFICES OF FOREIGN BANKS

Banking in the United States can be conducted by banks of foreign countries, or by nonbank organizations or individuals of foreign countries. In May 1979 foreign bank assets in the United States totalled \$146.2 billion. Foreign banks controlled \$133.0 billion, or 91.0 percent, and foreign individuals and nonbank organizations controlled \$13.2 billion, or 9.0 percent. This chapter concentrates on foreign bank expansion in the United States, while chapter 4 will concentrate on foreign acquisition of U.S. depository institutions.

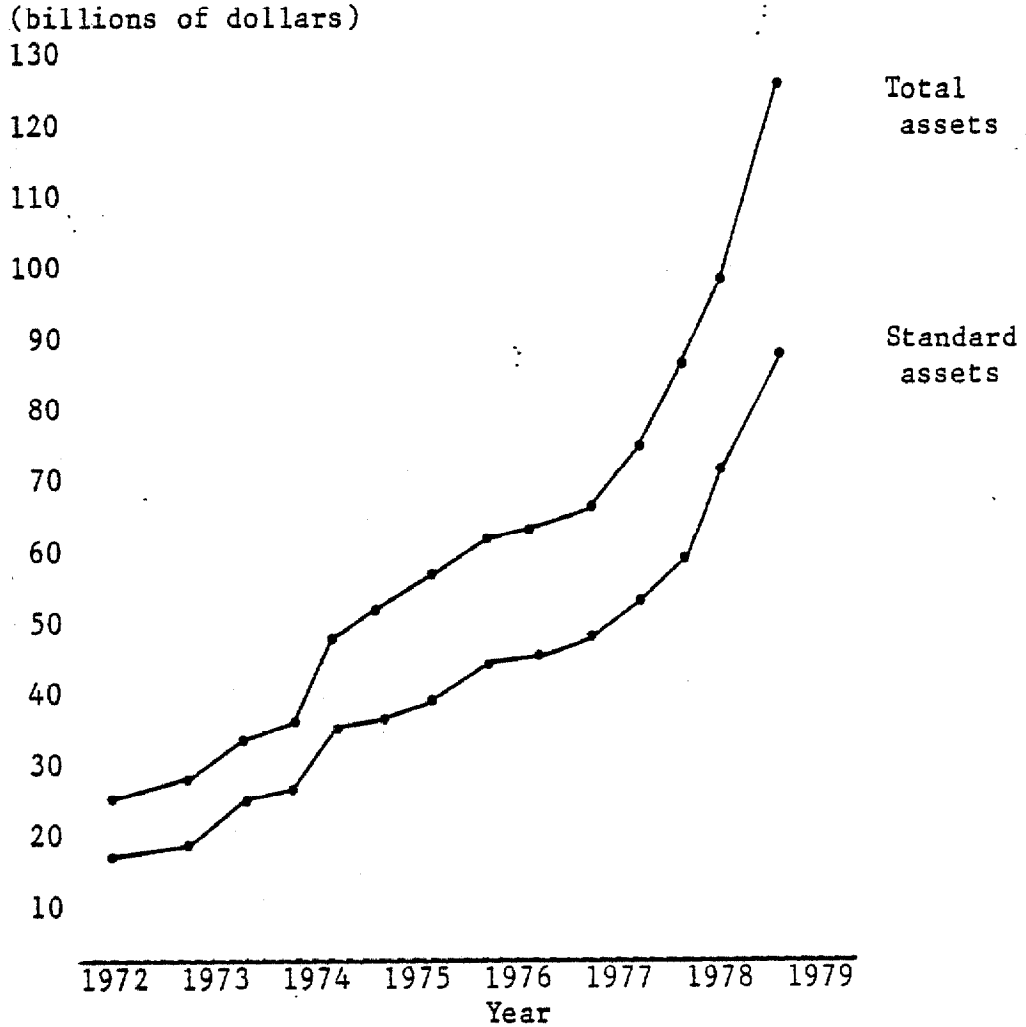
The predominant method in which foreign banks have entered the U.S. bank market is through the establishment of new banking operations such as branches, agencies, and subsidiaries. In addition to the establishment of U.S. offices, foreign banks have purchased 17 existing U.S. depository institutions. This chapter discusses all U.S. offices of foreign banks regardless of how control was obtained.

U.S. OFFICES OF FOREIGN BANKS TRIPLE

Between November 1972 and February 1979 the number of U.S. offices of foreign banks has tripled from 104 to 318. These offices, which account for approximately 91.0 percent of all foreign-controlled bank assets in the United States, have expanded their assets and liabilities at a rate three times greater than domestic banks.

As the following graph shows, between November 1972 and February 1979 U.S. offices of foreign banks increased their total assets from \$24.3 billion to \$123.3 billion, a gain of 407 percent, and increased their standard banking assets from \$18.1 billion to \$88.1 billion, a gain of 387 percent.

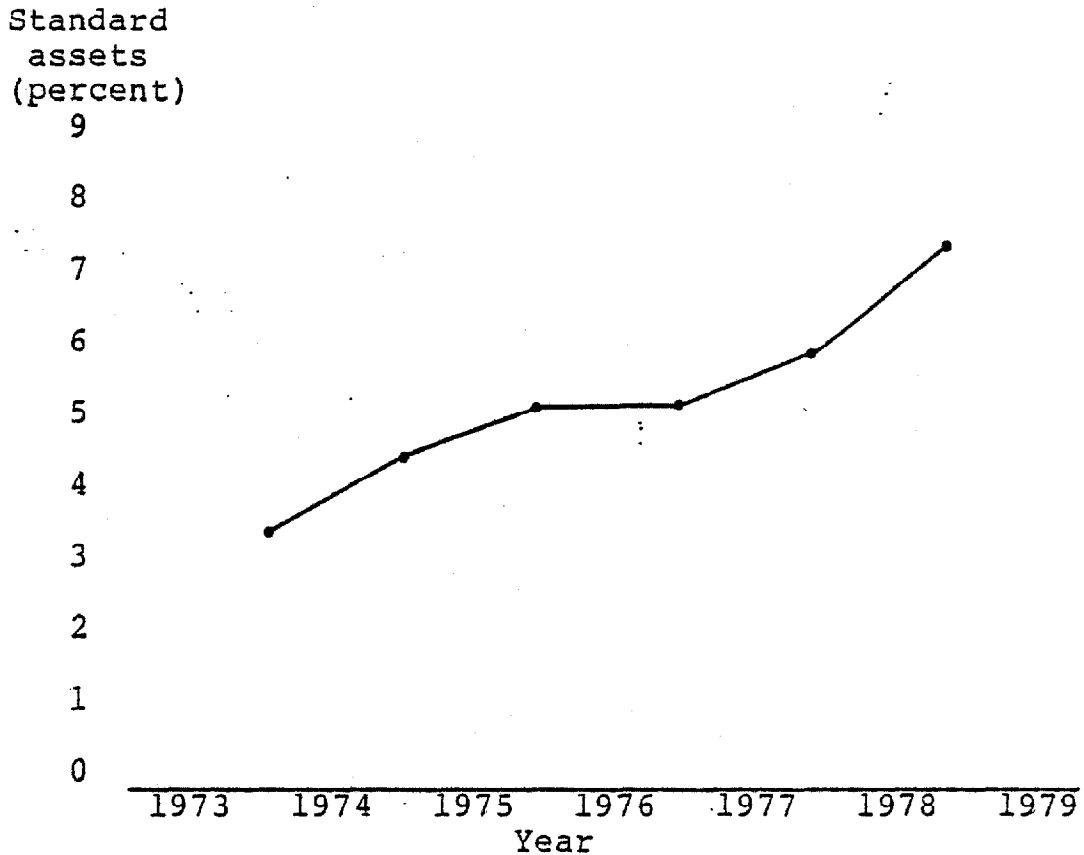
Assets of U.S. Offices
of Foreign Banks



Appendix I presents more detailed information for selected balance sheet items for U.S. offices of foreign banks between 1972 and 1979.

In 1973 U.S. offices of foreign banks controlled 3.4 percent of all U.S. standard banking assets. In September 1978 these offices controlled over 7 percent of all U.S. standard banking assets, as the following graph shows.

Standard Assets of U.S. Offices
of Foreign Banks
as Percent of Total U.S.
Standard Assets

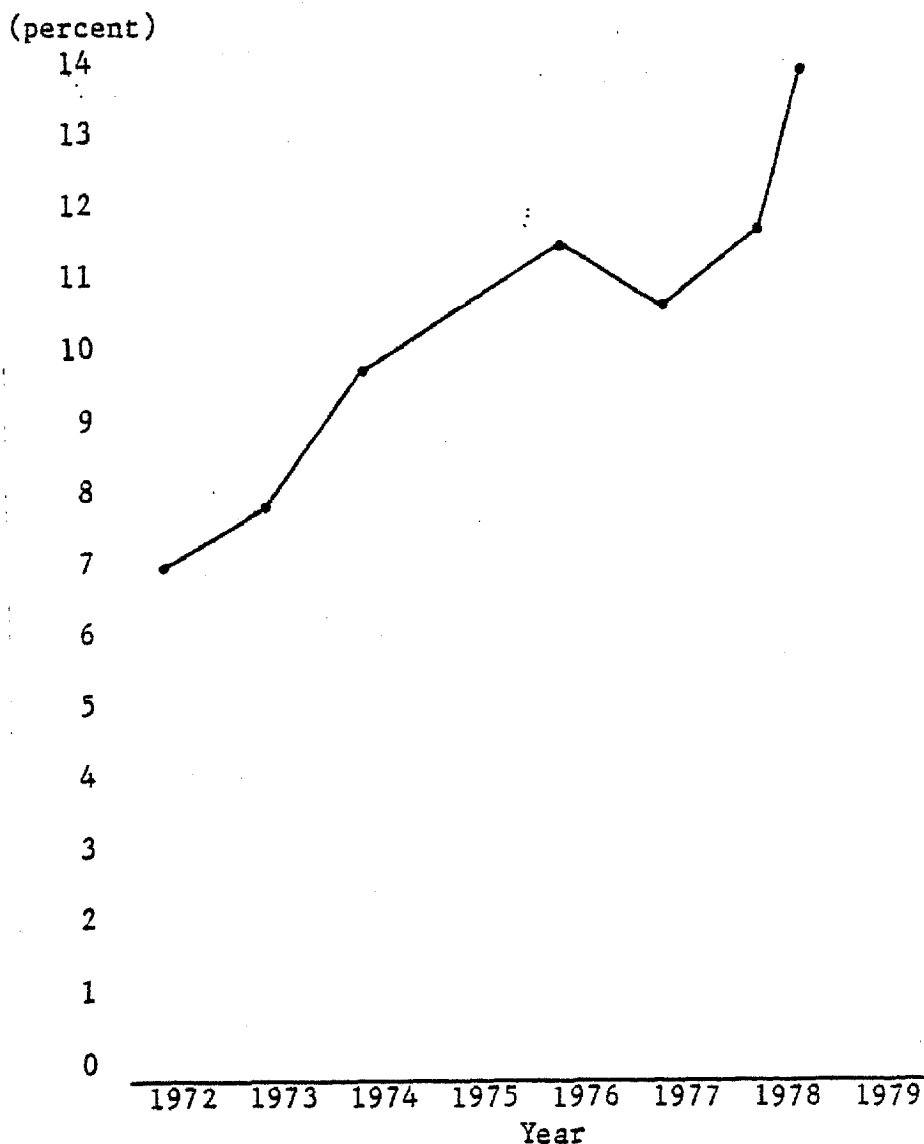


FOREIGN BANKS DOUBLE THEIR SHARE
OF THE LOAN MARKET

The foreign banks' most significant competitive impact has been in the market for commercial and industrial loans. Foreign banks lend not only to the U.S. offices of their home country corporations but to a wide range of U.S. businesses, thus competing with U.S. banks. Between November 1972 and September 1978 the U.S. offices of foreign banks increased their commercial and industrial lending from \$8.9 billion to \$30.1 billion.

During this period they expanded their share of U.S. based commercial and industrial lending from 7.0 percent to 13.5 percent, as the following chart illustrates.

Commercial and Industrial Loans
of U.S. Offices of Foreign Banks
as Percent of Total U.S. Commercial
and Industrial Loans



Although a significant portion of the increase in commercial and industrial lending by foreign banks represents increased market penetration, some of the increase in lending is due to accounting practices. For example,

upon establishing a new office in the United States, the parent bank may transfer some commercial and industrial loans from its own books to the books of the new office. This increase in the new office's loan portfolio will enhance the office's competitiveness by giving it an established client base from which to expand. Also, this practice brings the new office into direct contact with some of the parent bank's important clients.

In addition, according to a Federal Reserve official, U.S. banks often prefer to record loans in offshore offices because of tax advantages, while most U.S. offices of foreign banks prefer to record their loans in the United States.

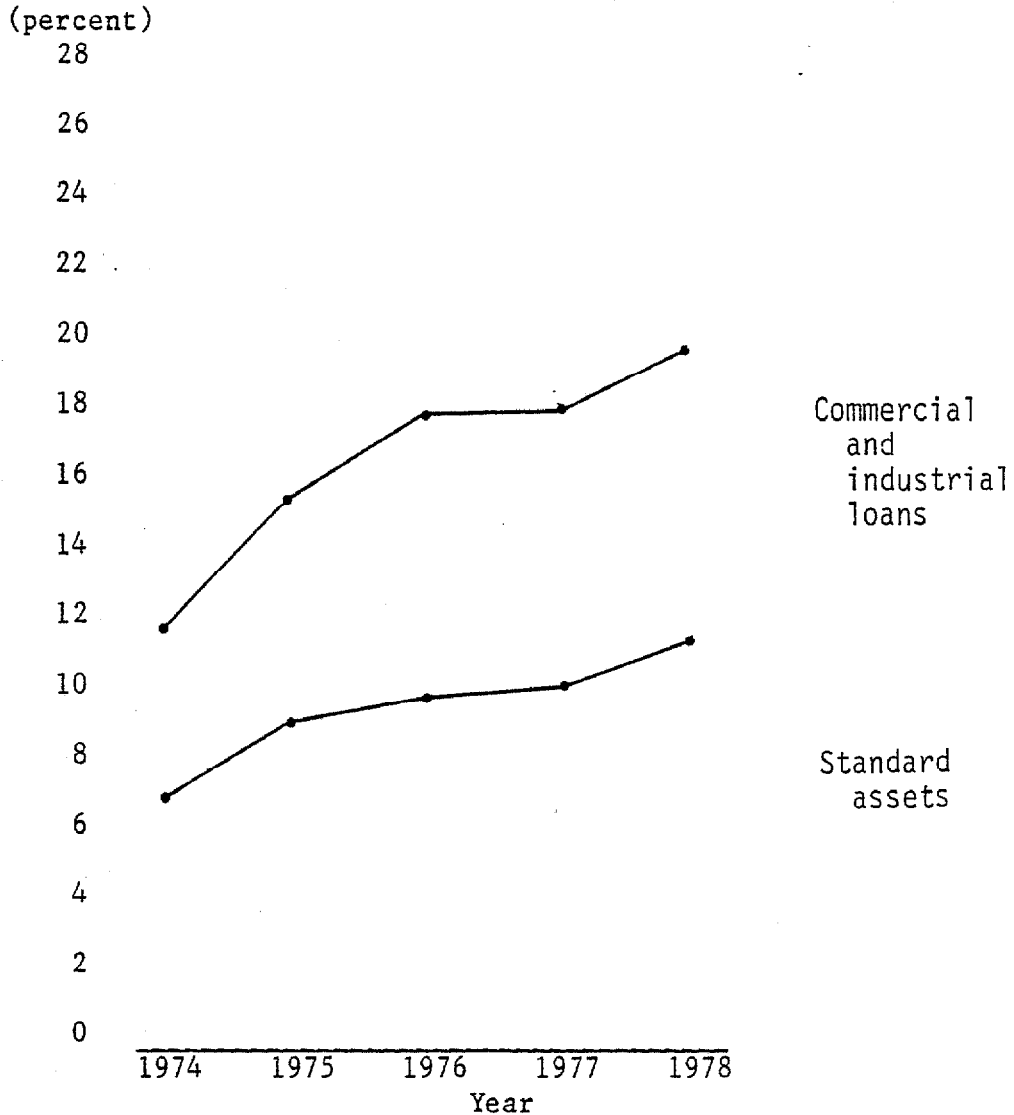
Comparison with largest U.S. banks

The expansion of foreign banks in the United States is highlighted when foreign banks are contrasted with their direct competitors--the large U.S. money center and regional banks 1/ which account for 53 percent of domestic banking assets.

In 1974, U.S. offices of foreign banks made commercial and industrial loans in an aggregate amount equal to 11.8 percent of total commercial and industrial loans made by the largest U.S. banks. By November 1978, aggregate foreign commercial and industrial loans were equal to 19.5 percent of the largest U.S. banks' total. Total U.S. offices of foreign banks' standard banking assets, when compared to the largest U.S. banks' standard banking assets, also grew at about the same rate during the same period. This growth is illustrated in the following graph.

1/These are banks which submit weekly condition reports to the Federal Reserve. For the period covered this includes about 330 banks, each with deposits over \$100 million as of December 31, 1965.

Loans and Assets of U.S. Offices
of Foreign Banks as Percent of Loans and Assets
of Weekly Reporting Banks



WESTERN EUROPEAN BANKS
EXPAND U.S. OPERATIONS

Western European and Japanese banking offices account for over 80 percent of all standard assets and commercial and industrial loans of foreign banks in the United States. In 1972 Japanese banks dominated foreign banking in the United States. Although the number of Japanese offices has increased, their relative influence has declined.

Western European banks now control nearly half of the standard assets of foreign banks in the United States.

Canadian banks have declined in relative importance since 1972. While the number of Canadian offices has increased, Canada's share of the standard assets of foreign banks in the United States has dropped from 17.7 percent to 8.4 percent.

"Rest of World" countries, mostly Asian, Central and South American, and Middle Eastern countries, have greatly expanded their U.S. banking activities. They now account for almost a third of all foreign controlled offices and for 8.3 percent of the standard assets of foreign banks in the United States.

These trends are further illustrated in the following table.

	November 1972			February 1979		
	Standard banking assets	Commercial and industrial loans	Number of offices	Standard banking assets	Commercial and industrial loans	Number of offices
	----(percent)----			----(percent)----		
Western Europe	28.6	22.9	36	47.0	33.6	118
Japan	48.8	60.9	28	36.2	48.3	62
Canada	17.7	12.4	21	8.4	10.4	33
Rest of World	<u>4.8</u>	<u>3.8</u>	<u>19</u>	<u>8.3</u>	<u>7.7</u>	<u>105</u>
Total	<u>100.0</u> a/	<u>100.0</u>	<u>104</u>	<u>100.0</u> a/	<u>100.0</u>	<u>318</u>

a/Does not equal 100 percent due to rounding.

Appendix II provides further details on the number and type of U.S. offices of foreign banks operating by country in 1972 and 1979.

NEW YORK IS DOMINANT LOCATION

Ninety-six percent of foreign banking assets in the United States are located in New York, California, and Illinois. As the following table demonstrates, although New York's share has declined slightly since 1972, it still accounts for over 71 percent of foreign standard banking assets in the United States.

	<u>November 1972 (note a)</u>			<u>February 1979 (note a)</u>		
	<u>Standard</u> <u>banking</u> <u>assets</u>	<u>Commercial</u> <u>and</u> <u>industrial</u> <u>loans</u>	<u>Number</u> <u>of</u> <u>offices</u>	<u>Standard</u> <u>banking</u> <u>assets</u>	<u>Commercial</u> <u>and</u> <u>industrial</u> <u>loans</u>	<u>Number</u> <u>of</u> <u>offices</u>
	-----(percent)----			-----(percent)----		
New York	77.8	75.7	63	71.4	62.5	149
California	20.4	22.3	34	21.4	25.7	92
Illinois	.2	.2	1	3.4	5.4	32
Other States	.3	.1	2	2.1	4.6	35

a/Because we did not include foreign offices located in Puerto Rico, the Virgin Islands, or Guam, the percent columns in this table do not total 100 percent and the number of offices do not represent the number previously reported.

Of the three States listed above, Illinois has had the largest increase in foreign banking since November 1972. This can be attributed to changes in the Illinois State banking laws in 1973 to permit foreign branches. The State now claims 32 offices of foreign banks with 3.4 percent of the foreign standard banking assets and 5.4 percent of the foreign commercial and industrial loans.

Foreign banking in other States has increased almost as significantly, from 2 offices of foreign banks to 35. These States have also increased their share of the foreign standard banking assets from .3 percent to 2.1 percent, and their foreign commercial and industrial loans from .1 percent to 4.6 percent.

CHAPTER 4

ACQUISITION AND ESTABLISHMENT OF U.S.

DEPOSITORY INSTITUTIONS BY FOREIGN INTERESTS SINCE 1970

The previous chapter included information on 17 existing U.S. banks acquired by foreign banks. Besides these acquisitions, foreign individuals and nonbank organizations have acquired controlling interest in an additional 54 existing U.S. banks. Foreign individuals and nonbank organizations have also established 11 more new banks and have acquired interest in 8 savings and loan associations.

In this chapter we will first examine all 71 acquisitions of U.S. banks by foreign banks, individuals, and nonbank organizations; then discuss the control of U.S. banks by nonbank entities; and, finally, review foreign acquisitions of U.S. savings and loan associations.

ACQUISITION OF U.S. BANKS BY FOREIGN INTERESTS

Despite problems in gathering accurate information, we have identified 71 existing U.S. banks which were acquired by foreign interests and are currently under foreign control.

As we reported (GGD-79-42, June 19, 1979) to the Subcommittee on Commerce, Consumer, and Monetary Affairs, there is no systematic, comprehensive mechanism for gathering information on all foreign investment in existing U.S. depository institutions. Our estimate of controlling interests was made by compiling data from the Federal Reserve System, the Department of Commerce and the regional offices of the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. Since much of this data was based on the knowledge of the regional office personnel and on information found in newspapers, magazines, and banking journals, we cannot state that other foreign-controlled institutions do not exist in the United States. Because some information was not available, the data does not include foreign noncontrolling investments in U.S. financial institutions.

The following table presents the 71 U.S. banks acquired by foreign parties who have maintained control through May 1979.

<u>Year</u>	<u>Number of banks</u>	<u>Assets at time of acquisition</u> (in millions)
1970	1	\$ 24.9
1971	0	0
1972	1	19.5
1973	3	437.1
1974	8	3,922.8
1975	3	942.5
1976	7	3,814.3
1977	27	2,839.1
1978	15	937.6
1979	6	9,027.6

Over the last 3 years foreign interests have acquired 48 banks, or twice as many as they had between 1970 and 1976.

A recent proposal by a foreign bank to purchase controlling interest in a large U.S. bank was approved by the Federal Reserve Board of Governors. While the proposal was pending with the State, the foreign bank withdrew the application. Subsequently, the domestic bank to be acquired applied to the Office of the Comptroller of the Currency for a national bank charter. If the national bank charter is approved and the acquisition ultimately consummated, \$14.2 billion in additional banking assets will come under foreign control. This would increase the assets of U.S. banks acquired by foreign interests by 53 percent.

Since 1969, there have been at least 14 instances where controlling interests in U.S. banks were acquired by foreign interests and subsequently relinquished. In almost all cases the purchasers were individuals who held controlling interests for an average of 1.8 years.

CONTROL OF U.S. BANKS BY FOREIGN
INDIVIDUALS AND NONBANK ORGANIZATIONS

Foreign individuals and nonbank organizations control 65 banks with current aggregate assets of approximately \$13.2 billion. Of the 65 U.S. banks, 54 were existing banks which were acquired and 11 were new banks in which foreigners had invested from the beginning. Unlike the U.S. offices of foreign banks whose balance sheets are dominated by wholesale banking activities and large flows to and from their parent banks and directly related institutions, U.S. banks controlled by nonbank foreigners are for the most part indistinguishable from domestically owned banks.

As the table below demonstrates, Western European individuals or corporations have controlling interests in nine banks that constitute approximately 50 percent of the current total assets of U.S. banks controlled by nonbank foreigners.

	<u>Number of banks</u>	<u>Total assets (in millions)</u>
Western Europe	9	\$ 6,582.1
Asia	13	1,284.2
Mid-East	22	4,376.2
Canada	12	330.5
Central and South America	<u>9</u>	<u>641.4</u>
Total	<u>65</u>	<u>\$13,214.4</u>

FOREIGN INVESTMENTS IN U.S.
SAVINGS AND LOAN ASSOCIATIONS

Foreign investment in the U.S. savings and loan industry has been minimal. All known investment has occurred through savings and loan holding companies. Although there is no systematic, comprehensive mechanism for gathering information on all foreign investments in savings and loan associations, according to the Federal Home Loan Bank Board, the following table approximates foreign investment in U.S. savings and loan holding companies.

U.S. Savings and Loan Holding Companies
Controlled by Foreign Ownership

<u>Nationality</u>	<u>Number of</u> <u>savings and loans</u> <u>controlled by</u> <u>holding companies</u>	<u>Savings and loan</u> <u>assets</u> (in millions)
Canada	6	\$5,506.7
Japan	1	215.7
West Germany	1	337.0

An acquisition by a Canadian investor of a U.S. savings and loan association with \$83.2 million in assets is currently pending approval with the Federal Home Loan Bank Board. The individual proposes to acquire the association through Canadian and U.S. corporations which he controls.

CHAPTER 5

TREASURY ASSESSES FOREIGN

DISCRIMINATION AGAINST U.S. BANKS

Do foreign countries permit U.S. banks the same competitive opportunity they permit their own banks? The International Banking Act of 1978 assigned to the Secretary of the Treasury the task of assessing the banking environment abroad. Bankers live in a constantly changing international atmosphere where different countries react differently to foreign presence in their banking systems. For example, China, Japan, and Spain have taken steps to liberalize their restrictive attitudes. In contrast, Saudi Arabia is becoming more conservative and is nationalizing foreign banks. Australia remains protective and prohibits the entry of foreign banks, while some Western European countries are very liberal about foreign entry.

In this changing environment the Secretary of the Treasury has been studying whether U.S. banks receive equal competitive opportunity relative to domestic banks in the foreign countries, commonly referred to as "national treatment".

STUDY GROUP ANALYZES TREATMENT DATA

While the Secretary established an interagency task force to conduct the study, he placed administrative responsibility for the study under the Office of Comptroller of the Currency (Comptroller). The Comptroller organized a study group consisting of a director, economists, an international lawyer, analysts, and consultants. This study group coordinated the effort, planned the work, and assigned the tasks. They are analyzing the resulting data and drafting the report. The study group is being assisted in many aspects of the work by the interagency task force representatives and other staff of the Federal Reserve Board (and the Federal Reserve Banks of New York, San Francisco, and Atlanta); the Federal Deposit Insurance Corporation; and the Departments of State and Treasury; as well as representatives of the Department of Commerce and the Export-Import Bank.

The report will analyze the extent to which U.S. banks are denied, whether by law or practice, national treatment in conducting banking operations abroad. The report will also analyze which discriminatory restraints may have the most significant economic effects and the impact, if any, of discriminatory practices on the financing of U.S. exports.

The report will be based not only on information obtained from searches of agency files, previous reports, and literature; but also original material gathered by the task force. Two approaches for generating this data were employed: cablegrams were sent to more than 140 foreign service posts, and questionnaires were distributed to 139 U.S. banks with offices in foreign countries.

As of May 15, 1979, over 120 foreign service posts had responded to the cablegrams, some with specific instances and facts, others with little useful information. Almost 60 percent of those responding identified some significant restriction placed against U.S. banks in particular or against foreign banks in general.

About 85 percent of the questionnaires had been returned as of mid-May. Due to the substantial effort which some of the major banks placed on completing the questionnaires, their responses were several weeks late.

REPORT WILL BE ON TIME

The draft report should be at the agencies for review, correction, and comment during early August. According to the study group director, the final report will be delivered to the Congress on September 15, 1979.

The study group plans to describe the following in the final report

- The extent of U.S. banks' activities abroad.
- Previous studies on national treatment.
- Barriers to competition experienced by U.S. banks.

- Treatment of U.S. banks in over 100 foreign countries with detailed analysis in about 20 countries.
- Impact on financing U.S. exports.
- Efforts to reduce discrimination against U.S. banks.

CHAPTER 6

AGENCY COMMENTS

Those agencies that sent us formal comments agreed with the basic thrust of the report that foreign banking has grown rapidly in the United States since 1972. We received formal comments on this report from the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the Federal Reserve. (See app. III-VI.) The Department of Commerce and the Department of Treasury informally provided comments.

The Federal Reserve stated that the period of growth studied was one in which there was little Federal regulation of foreign banks, resulting in certain competitive advantages for foreign banks. With the passage in late 1978 of the International Banking Act, foreign banks now are subject to many of the regulations applicable to U.S. banks. The Federal Reserve believes this may lead to a change in competitive relationships that will alter the future rate of growth of foreign banking in the United States. (See app. V.) We will assess the effectiveness of the International Banking Act in the second phase of our study.

CHAPTER 7

SCOPE OF REVIEW

We contacted officials and reviewed available statistics on the international activities of financial institutions at the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Reserve, the Federal Home Loan Bank Board, and the Department of Commerce's Office of Foreign Investment in the United States.

We reviewed preliminary data gathered by the Department of Treasury on equivalent treatment of U.S. banks in foreign countries and interviewed members of the task force working on the study. We also conducted an extensive literature search on the international activities of banks.

Selected Balance Sheet Items for U.S. Offices
of Foreign Banks

	<u>Total Assets</u>	<u>Standard Assets</u>	<u>Commercial and Industrial Loans</u>	<u>Deposits and Credit Balances of Nonbank U.S. Residents</u>
	----- (millions) -----			
Nov. 1972	\$ 24,317	\$ 18,073	\$ 8,857	\$ 3,942
Feb. 1973	28,281	19,463	10,103	4,398
Aug. 1973	31,947	23,221	11,857	4,615
Feb. 1974	36,304	26,260	12,927	4,891
Aug. 1974	47,717	34,779	16,649	6,269
Feb. 1975	50,140	37,117	19,132	7,956
Aug. 1975	55,898	39,487	19,302	9,068
Feb. 1976	60,483	43,199	20,109	10,987
Aug. 1976	61,906	44,125	19,604	12,236
Feb. 1977	65,590	47,427	20,058	13,400
Aug. 1977	72,868	51,971	21,159	14,349
Feb. 1978	83,978	59,340	24,100	17,757
Aug. 1978	98,985	71,278	28,713	21,343
Feb. 1979	123,290	88,056	34,907	25,808

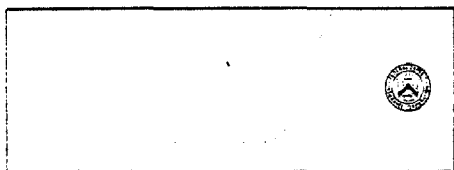
U.S. Offices of Foreign Banks
by Country and Type of Organization
in December 1972

<u>Country</u>	<u>Agencies</u>	<u>Branches</u>	<u>Subsidiaries</u>	<u>Investment Companies</u>	<u>Total</u>
France	1	1	1	1	4
Germany	0	2	0	0	2
Spain	0	0	0	0	0
Switzerland	2	2	2	0	6
United Kingdom	5	5	4	1	15
Italy	2	2	0	0	4
Other W. European countries	1	1	2	1	5
Mid-East	3	1	2	0	6
Canada	9	6	8	0	23
Mexico, Central, and South America	1	2	0	0	3
Japan	23	2	6	0	31
South Korea	2	0	0	0	2
Other Asian countries and Australia	<u>4</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>9</u>
Total	<u>53</u>	<u>29</u>	<u>25</u>	<u>3</u>	<u>110</u>

U.S. Offices of Foreign Banks
by Country and Type of Organization
in February 1979

<u>Country</u>	<u>Agencies (note a)</u>	<u>Branches</u>	<u>Subsidiaries</u>	<u>Investment Companies</u>	<u>Total</u>
France	4	11	2	1	18
Germany	3	12	0	0	15
Spain	10	0	3	0	13
Switzerland	4	5	1	1	11
United Kingdom	9	14	5	1	29
Italy	3	8	1	0	12
Other W. European countries	7	9	2	2	20
Mid-East	10	5	4	0	19
Canada	15	9	9	0	33
Mexico, Central, and South America	22	5	2	1	30
Japan	23	27	12	0	62
South Korea	11	3	1	0	15
Other Asian countries and Australia	<u>23</u>	<u>16</u>	<u>2</u>	<u>0</u>	<u>41</u>
Total	<u>144</u>	<u>124</u>	<u>44</u>	<u>6</u>	<u>318</u>

a/Includes two agreement corporations. Agreement corporations are subsidiaries engaged in international banking activities. They engage principally in financing exports and supplying capital for new and existing enterprises abroad.



FEDERAL DEPOSIT INSURANCE CORPORATION, Washington, D.C. 20429

OFFICE OF THE CHAIRMAN

July 5, 1979

Mr. Allen R. Voss
Director, General Government Division
General Accounting Office
441 G Street, N.W.
Washington, D. C. 20548

Dear Mr. Voss:

Subject: Draft Letter Report to the Chairman, Subcommittee on
Financial Institutions, Supervision, Regulation and
Insurance, House Committee on Banking, Finance and Urban
Affairs: Considerable Increase in Foreign Banking in the
United States Since 1972

In response to your request for our views regarding the captioned report, attached is a memorandum drafted by members of FDIC staff. I concur with the conclusions and recommendations included therein and I trust that these points will be considered in drafting a final report on this subject.

Sincerely,

Irvine H. Sprague
Chairman

Attachment

FDIC STAFF MEMORANDUM REGARDING:
DRAFT LETTER REPORT TO THE CHAIRMAN, SUBCOMMITTEE ON FINANCIAL
INSTITUTIONS, SUPERVISION, REGULATION AND INSURANCE, HOUSE COMMITTEE
ON BANKING, FINANCE AND URBAN AFFAIRS: CONSIDERABLE INCREASE IN
FOREIGN BANKING IN THE UNITED STATES SINCE 1972

FDIC staff members have reviewed the draft letter report and generally agree with the basic thrust of the commentary. However, the staff has several suggestions which, in our opinion, will enhance the report. Our comments have been segregated into two parts. Part I will cover major conceptual issues which may require expanded coverage while Part II will enumerate suggested editorial changes.

PART I

U.S. Banking in Foreign Countries

The second and third paragraphs under this caption appear to require expansion to present a broader description of conditions spurring the growth of U.S. banks' international activities. The growth of international banking had three primary sources: (1) growth of multinational corporate operations, (2) U.S. Government imposed controls on capital outflows from 1965 to 1974, and (3) interest rate controls imposed by U.S. authorities.

Point (1) is adequately covered in the text, however, points (2) and (3) appear to require additional explanation. Although Executive Order 11387 restricted domestically funded foreign loans, in an effort to ease balance of payments deficits, it did not restrict foreign loans which were funded overseas and did not enter balance of payments flows. Thus, American banks, in an effort to access additional dollar funding for their international activities, established offices in offshore locations. Another factor which stimulated the growth of the Eurodollar market was the presence of interest rate ceilings in domestic markets. Banks operating in locations outside the United States where similar interest rate controls did not exist were able to attract additional dollar deposits by raising interest rates to levels exceeding domestic limits. Thus, the natural economic forces of supply and demand led to the burgeoning Eurodollar market.

In the second sentence of the second paragraph, reference is made to an economic slowdown in the United States which led businesses and banks to look to other markets for expansion of their operations. While it is recognized that foreign lending activities of American banks accelerated following the recession of 1974 to 1975 due to excess liquidity and weak domestic loan demand, the text leads the reader to believe this condition existed throughout the period 1966 to 1977. It is believed that expansion to foreign markets by

U.S. corporations and banks was spurred by additional profit opportunities in those markets rather than solely domestic economic slackness as the report suggests. Further, it should be recognized that the domestic economy, during the period 1966 to 1977, enjoyed several periods of sound economic growth.

Foreign Banking in the United States

In citing reasons for the recent influx of foreign banks into domestic financial markets, the report cites continuing U.S. balance of payments deficits. In our opinion, U.S. balance of payments deficits coupled with persistent domestic inflationary pressures have resulted in a weakening of U.S. dollar vis-a-vis other foreign currencies. The resultant effect has been a relative decrease in the cost of establishing or acquiring a U.S. banking unit by foreign interests.

Another incentive for foreign bank entry into U.S. markets is to obtain a secure dollar liability base as a source of funding. This point is mentioned in paragraph 2 on page 3 as a safeguard against a possible cessation of U.S. balance of payments deficits. It is suggested that a U.S. domiciled dollar liability base is a line of defense against a liquidity crunch in the Eurodollar market rather than a curtailment of U.S. balance of payments deficits.

The second paragraph on page 4 should be clarified by indicating that acquisitions of American banks have only very recently become a favored method of gaining a base of U.S. operations. As stated on pages 8 and 9 of the draft, direct branching has traditionally been the dominant mode of entry by foreign banks. The prospect of legislative proposals over the last three to four years may have induced foreign banks to seek subsidiary operations in light of the restrictions and costs foreseen in the proposed legislation. These restrictions include asset pledges, asset maintenance, and mandatory placement of reserves with the Federal Reserve System.

The final paragraph on page 4 alludes to advantages enjoyed by foreign banks over their domestic bank counterparts despite the passage of the International Banking Act of 1978. Specific reference is made to acquisition of domestic banks and reserve requirements. With respect to acquisitions, it should be pointed out that foreign banks entering domestic markets do not present problems concerning competitive effects of the transaction, whereas acquisition by a local domestic bank would require justification on competitive grounds. Thus, the ease with which foreign banks can acquire domestic banks can, in part, be justified giving effect to competitive considerations. Regarding reserves, the report should perhaps contain a footnote referring to Section 7 of the International Banking Act which authorizes the Federal Reserve Board to impose reserve requirements on foreign bank branches and agencies where the entire bank has worldwide assets of \$1 billion or more. The Federal Reserve's plan toward implementing reserve requirements has not been announced.

Foreign Banks Operate Through Four Types of Offices

In the first paragraph of this section, no mention is made of investment companies or security affiliates which engage in underwriting or brokerage activities. Several of these entities are operated by foreign banks in New York City.

In describing the advantages of branches and subsidiaries, it may be useful to point out that direct branches, as compared to subsidiaries, have the advantage of utilizing the entire bank's capital base for lending limit determinations. On the other hand, subsidiaries hold some advantages over direct branches in the retail banking area. Specifically, they are insured, and where State branching laws permit, they can attract retail deposits over a larger geographic area.

Foreign Banks Double Their Share of the Loan Market

In commenting on the penetration by foreign banks into domestic lending markets, the report relies on data accumulated from an unnamed source. The staff has assumed that this data was drawn from statistics compiled by the Federal Reserve. It is important to note that several commentators have questioned whether this data overstates the degree of loan market penetration enjoyed by domestic offices of foreign banks. Attached are two articles, one published by Keefe Bruyette and Woods, Inc., and the other written by Serge Bellanger, the current Chairman of the Institute of Foreign Bankers, which address this issue.

New York is Dominant Location

In describing the growth trend of foreign bank U.S. operations, the report points out the large growth of foreign bank operations in Illinois vis-a-vis other States. It should be noted that this growth is attributable, in part, to the fact that Illinois permitted foreign bank entry much later than either New York or California.

Acquisition of U.S. Banks by Foreign Interests

The first paragraph following the table on page 20 states the Eurodollar pool has been utilized to facilitate the purchase of undervalued stocks of American banks. The implication that the Eurodollar market has been utilized solely to acquire domestic banks is not supported by factual evidence. In fact, the Eurodollar market has served as a useful intermediating device to facilitate numerous international financial transactions. Moreover, the basic economic reasons for the attractiveness of U.S. bank acquisitions are not explained. The combined effects of the depreciation of the U.S. dollar and the depressed state of the market for domestic bank equities, which currently are selling at prices below book value, have served as logical and reasonable incentives for foreign investors to acquire U.S. banks.

PART II

Suggested minor editorial changes are as follows:

Page 2, paragraph 2, line 3 - It is suggested that the text read "to provide services to their corporate clients".

Page 2, paragraph 2, line 12 - To avoid confusion, the word "capital" should be replaced with the term "funding".

Page 4, line 2 - We suggest the text read "...some form of foreign banking activity was taking place in..."

Page 11 - We suggest that the term "standard assets" be defined both in the text and in the tables where the term appears.

Page 11, paragraph 3, line 2 - The narrative should read "...the number of U.S. offices of foreign banks has tripled..."

Page 13, paragraph 1, line 3 - The text should read "Foreign banks not only lend to the U.S. offices..."

Page 16 - We recommend changing the caption of the chart to "Loans and Assets of Foreign Banks as a Percent of Total U.S. Loans and Assets".

Page 20, line 1 - The word "inavailability" should be changed to "unavailability".

Page 21, paragraph 2, line 8 - It is recommended that the terms "and directly related institutions" be added after the word "banks" to indicate the presence of large flows from related entities.

Page 24, paragraph 1, line 3 - The sentence should read "The International Banking Act of 1978 assigned to the Secretary of the Treasury the task of assessing the banking environment abroad."

Attachments

Federal Home Loan Bank Board



1700 G Street, N.W.
Washington, D.C. 20552

Federal Home Loan Bank System
Federal Home Loan Mortgage Corporation
Federal Savings and Loan Insurance Corporation

ANITA MILLER
Board Member

11 JUL 1973

Allen R. Voss, Director
General Government Division
United States General Accounting Office
Washington, D.C. 20546

Dear Mr. Voss:

Thank you for transmitting a draft of a proposed report: CONSIDERABLE INCREASE IN FOREIGN BANKING IN THE UNITED STATES SINCE 1972. The following are technical comments on the draft report.

The table on page 6 implies that no non-U.S. banks have invested directly or indirectly in savings and loan associations. This is technically correct. However, a Canadian trust company, ^{1/} which is a depository institution similar to a commercial or savings bank, does hold a significant minority interest in ^{1/} a holding company. In addition, the table implies that typically a non-U.S. investor will acquire the shares of a savings and loan holding company, rather than a savings and loan association. This is merely happenstance; in a pending application a Canadian individual (through U.S. and Canadian companies which he controls and which are not now savings and loan holding companies but would become so after an acquisition) proposes to acquire a controlling interest in a savings and loan association not presently holding company controlled.

The footnote on page 10 describes concepts of control as defined in the Bank Holding Company Act (12 U.S.C. § 1841) and Regulation Y (12 C.F.R. Part 225) promulgated thereunder. However, the Savings and Loan Holding Company Act ("Act" at 12 U.S.C. § 1730a) and the Regulations for Savings and Loan Holding Companies ("Regulations" at 12 C.F.R. Part 583 et seq.) define control somewhat differently. Accordingly, for the footnote to be technically correct it should also take into consideration control concepts as defined by the Act and Regulations since the text concerns not only banks but savings and loan associations. In addition, the

^{1/}The name of the trust company and holding company were deleted with the permission of the Federal Home Loan Bank Board.

Allen R. Voss, Director
Page Two

New Change in Savings and Loan Control Regulations (12 C.F.R. § 563.18-2) promulgated under the Change in Savings and Loan Control Act (P.L. 95-630), sets out yet another series of control definitions, which may be relevant here.

The narrative on page 22 states that ". . . one Canadian . . . holding company . . . [controls an] association with assets of \$706.7 million". Originally indirect control of this association, a subsidiary of an existing U.S. holding company, was lodged in four Canadian corporations which in turn were under the control of three brothers who are Canadian citizens. Subsequently, the stock of the U.S. holding company was transferred out of the Canadian corporations into the personal names of the three brothers where it remains.

The heading in the table on page 23 "Number of savings and loans controlled by holding companies", suggests that a savings and loan association or holding company is foreign controlled when a foreign person holds directly or indirectly as little as five percent of its stock. A five percent control "flashpoint" is generally not consistent with concepts of control contained in the Act and Regulations; see our earlier comment. Moreover, one would usually not expect a five percent holder (not represented in management) to be in a position to exercise significant dominion over the day to day operations of an association or holding company.

The numbers in the table on page 23 should be corrected; Canadian interests are presently involved with six (not five) associations with total assets of \$5,506.7 million as of December 31, 1978.

The description on page 23 of the pending acquisition is in error. A Canadian individual, through Canadian and U.S. corporations which he controls, seeks Bank Board approval to acquire control of a savings and loan association with assets of \$83.2 million at December 31, 1978. The U.S. and Canadian corporations, to the extent that they are involved, would become holding companies only after the consummation of the acquisition.

If we can be of further assistance, please do not hesitate to contact us. All information contained in this letter is public.

Sincerely,





BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 13, 1979

Mr. Allen R. Voss
Director
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Voss:

The Board appreciates this opportunity to comment on the General Accounting Office report entitled "Considerable Increase in Foreign Banking in the United States since 1972." In general, this report is consistent with previous studies on the growth of foreign banking in the United States. It shows that foreign banking has grown rapidly since the Federal Reserve first began collecting statistics in 1972 and that foreign banks now constitute a significant presence in certain U.S. banking markets. As the study notes, most of this growth has been through U.S. branches and agencies of foreign banks, and these offices account for the great majority of foreign banking assets in the United States. However, foreign acquisition and establishment of U.S. subsidiary banks is also growing, though the number and total assets of these banks remain small in relation to the total of over 14,000 U.S. banks with total assets of \$1,507 billion as of December 31, 1978.

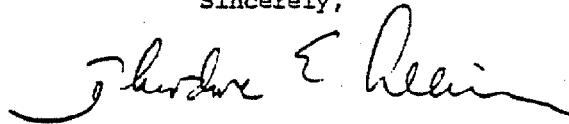
It might be helpful for the report to point out that the period of growth studied was one in which there was little Federal regulation of foreign banks, resulting in certain competitive advantages for foreign banks. With the passage in late 1978 of the International Banking Act, foreign banks now are subject to many of the regulations applicable to U.S. banks. This may well lead to a change in competitive relationships that will alter the future rate of growth of foreign banking in the United States. Moreover, as your study notes, some of the recent growth may be attributable to an influx of foreign banks prior to passage of the International Banking Act.

Mr. Allen R. Voss

-2-

The Board understands that its staff has given the General Accounting Office staff some technical comments on the draft report. However, the Board's staff has not attempted to verify all of the statistics and analysis presented in the report.

Sincerely,

A handwritten signature in cursive script, reading "Theodore E. Allison". The signature is written in dark ink and is positioned above the typed name.

Theodore E. Allison
Secretary of the Board



Comptroller of the Currency
Administrator of National Banks

Washington, D. C. 20219

July 14, 1979

Mr. Allen R. Voss
Director
General Government Division
U.S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Voss:

We have reviewed your draft of a proposed GAO report, "Considerable Increase in Foreign Banking in the United States Since 1972". OCC staff members submitted comments and suggestions to GAO and we understand that these suggested changes will be incorporated into the final report to Congress.

Since most of the numerical data used in the report were obtained from the Federal Reserve Board, we have deferred to the results of their meetings with your staff in this area.

We look forward to working closely with the General Accounting Office in the second stage of this important review. You can be assured of our continued cooperation.

Very truly yours,

John G. Heimann
Comptroller of the Currency

(230050)

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