International Finance Discussion Papers

Number 124

September 1978

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U.S. Offices of Foreign Banks: The Recent Experience

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I. Introduction

In our paper "The U.S. Activities of Foreign Banks: An Analytic Survey," written about one year ago, we analyzed the activities of foreign banks in the United States.1/ That paper focused on the growth of the foreign banks' U.S. activities from November 1972 to May 1977, growth that was dramatic both by itself and in comparison with the growth of large domestic banks. The earlier paper also examined the role of foreign banks in major U.S. banking centers and the ability of the foreign banks to expand their activities into more than one state.

This paper expands and updates the earlier study by focusing on recent growth in U.S. activities of foreign banks, which has resulted not only

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1/ Terrell, H. S., and Key, S. J., "The U.S. Activities of Foreign Banks: An Analytic Survey," in Key Issues in International Banking, Proceedings of a Conference Held in October 1977, Federal Reserve Bank of Boston, Conference Series No. 18. (Also available as International Finance Discussion Paper No. 113, Board of Governors of the Federal Reserve System, November 1977.)

from the opening of new foreign banking offices in the United States -- 61 in the one-year period ending in May 1978 -- but also from the increased activities of established offices. The U.S. activities of foreign banks are of particular interest at the present time, since the International Banking Act of 1978, which provides for some degree of Federal regulation and control over these activities, has recently been passed by Congress. The present paper deals with the one-year period from May 1977 to May 1978, although we have also included data for November 1972 to facilitate comparisons with the previous paper.

Before turning to an examination of recent growth in assets and liabilities of U.S. offices of foreign banks, it is useful to clarify a methodological point that has caused some confusion. In comparing the activities of U.S. offices of foreign banks with the activities of domestic banks, commercial and industrial (C and I) lending, for example, of the foreign banks is expressed as a per cent of similar lending by U.S. offices of the approximately 300 large domestic banks that report weekly to the Federal Reserve.[2/] Such a ratio is useful for comparing the relative size of two groups of banks[3/] -- the U.S. offices of foreign banks and the weekly reporting banks -- but it does not measure the foreign banks' share of, for example,

2/ Four foreign bank-owned subsidiary commercial banks also report weekly to the Federal Reserve. Data for these four banks have been subtracted from the data for the weekly reporting banks so that the weekly reporter sample used in this paper includes only domestically owned weekly reporters.
3/ It is important to note that data for foreign banks are not included in the denominator of the ratio.

the C and I loan market in the United States. The weekly reporters were chosen as a standard of comparison because these are the banks with which foreign banks are in closest competition.4/

II. Recent Growth of U.S. Activities of Foreign Banks

Standard banking assets. The data in Table 1 reveal that over the past year foreign banks have continued to grow rapidly, both in absolute terms and vis-à-vis the weekly reporting banks. Between May 1977 and May 1978, standard banking assets of the foreign banks -- that is, assets defined to exclude clearing balances and balances due from related institutions5/ -- increased by 30 per cent from about $50 billion to about $65 billion. Similar assets of the weekly reporting banks increased by less than 15 per cent from $488 billion to $556 billion. As a result, in May 1978 the foreign banks' standard assets equaled almost 12 per cent of the weekly reporters' standard assets, compared with a little over 10 per cent a year earlier.

4/ Using all 14,000 banks in the United States as a standard of comparison understates the importance of foreign activity, since foreign banks compete primarily with the major money-center banks.

5/ Standard banking assets include loans, money-market assets and securities. Balances due from related institutions (in the United States and abroad) are excluded because this category involves double-counting that is generally eliminated in analyzing aggregate banking data. Clearing balances are excluded because they comprise volatile categories such as cash items in process of collection and demand balances with banks; these transactions in large part simply reflect Euro-dollar clearings that fluctuate widely, particularly at quarter-end and when the last day of the month is a Friday.

Commercial and industrial loans. The most important asset item -- accounting for more than 40 per cent of standard assets -- for U.S. offices of foreign banks continues to be their commercial and industrial loans to both domestic and foreign borrowers. By contrast, C and I loans account for less than one-fourth of standard assets of the weekly reporters, which are relatively more active in retail lending. From May 1977 to May 1978 the foreign banks' C and I loans grew at about the same rate as their standard banking assets, increasing from less than $21 billion to almost $27 billion. By May 1978 C and I lending by the foreign banks amounted to more than 20 per cent of similar lending by the weekly reporters, compared with slightly less than 18 per cent a year earlier.6/7/

6/ The comparisons with weekly reporters by state are even more dramatic; see below, page 14 and Table 4.

7/ As noted at the outset, these figures are not market shares. There are essentially three ways to compare C and I lending by U.S. offices of foreign banks with C and I lending of domestic banks:

First, as in the present text and tables, there is the simple ratio of C and I lending by foreign banks to similar lending by the domestically owned weekly reporting banks (i.e., excluding the four weekly reporters that are owned by foreign banks): the result is 20.2 per cent for May 1978.

Second, a narrowly defined market share (where the "market" consists of the U.S. offices of foreign banks plus the domestically owned weekly reporting banks) could be computed by taking the ratio of C and I lending by U.S. offices of foreign banks to the sum of C and I lending by both U.S. offices of foreign banks and the domestically owned weekly reporting banks: the result is 16.8 per cent for May 1978.

Third, a broadly defined market share could be computed by taking the ratio of C and I lending by all U.S. offices of foreign banks to the sum of C and I lending by both "all commercial banks" in the United States and foreign bank-owned agencies and New York state investment companies: the result is 10.8 per cent for December 1977, the latest date for which necessary data are available. (Data for "all commercial banks" include all foreign bank-owned branches and subsidiary commercial banks, but do not include foreign bank-owned agencies and New York state investment companies.)

C and I loans to foreign borrowers continue to account for a relatively high proportion of the foreign banks' C and I lending, about one-fourth compared with less than one-twentieth for the weekly reporters. In May 1978 the absolute amount of the foreign banks' foreign C and I lending -- nearly $7 billion -- was higher than similar lending by the weekly reporters. The relatively heavy concentration in foreign C and I lending at the U.S. offices of foreign banks is to be expected in view of their foreign trade orientation.

In evaluating statistics provided by multinational banks, however, it is often difficult to draw clear distinctions between foreign and domestic loans, since many major U.S. and foreign banks lend to various affiliates of multinational corporations in the United States and abroad.[8/] Often the choice of which affiliate to whom a credit is extended is based on tax considerations. Given these conceptual difficulties, this paper will concentrate on analyzing loans to all borrowers from banking offices in the United States.[9/]

Anecdotal evidence, including press reports and conversations with bankers, as well as aggregate statistical information, confirms the impression that foreign banks are becoming increasingly active participants in the market for C and I loans from banking offices in the United States. As noted in the

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8/ Some of the loans that are recorded as domestic loans may be loans to foreign borrowers. For example, U.S. agencies of Japanese banks loan funds to the U.S. incorporated subsidiaries of Japanese trading companies.
9/ The concept of credit extended to banking offices in the United States is clearly incomplete in that it excludes credits to the same (or related) borrowers extended from banking offices outside the United States.

earlier paper, in the initial stages of a foreign bank's U.S. operations, loans to finance trade with the home country and with third countries and loans to U.S. subsidiaries of home country corporations play a dominant role; as the bank grows and expands its U.S. activities, it becomes more aggressive in seeking to make loans to large U.S. corporations. It appears that in the one-year period ending in May 1978 foreign banks have progressed rapidly along this path and that they are increasingly moving beyond their traditional role of servicing their home country customers. Indeed, many foreign banks have engaged in aggressive loan pricing practices to gain footholds in the domestic C and I loan market. Some U.S. offices of foreign banks have instituted the practice of pricing loans in terms of Euro-dollar rates rather than the traditional U.S. practice of the prime rate plus compensating balances.[10/] The aggressive competition from the foreign banks has induced some U.S. banks to price in a similar manner. While the direct competitive impact of foreign banks on pricing is impossible to measure, it is clear that the U.S. offices of foreign banks are an important source of potential competition for U.S. banks and this potential competition is having an

10/ For example, the American Banker of July 6, 1978 reported a $125 million seven-year credit facility for the AMF Corporation with twelve U.S. offices of foreign banks that was priced (at the borrower's option) either in terms of the London interbank offer rate or the U.S. prime rate.

effect on domestic pricing practices.[11/] The U.S. offices of foreign banks are effective competitors because they can, if necessary, draw upon the extensive resources of their parent banks.

Deposits and credit balances of non-banks. One of the most significant developments on the liability side of the foreign banks' balance sheets has been the recent rapid growth in their deposits and credit balances from non-banks. Over the one-year period ending in May 1978, deposits and credit balances increased by 33 per cent -- a little more rapidly than standard assets -- from slightly over $20 billion to nearly $27 billion. The bulk of this increase -- 93 per cent -- was accounted for by an increase in deposit liabilities to U.S. residents.[12/]

11/ As pointed out in the earlier paper, the expected long-run results of this increased competition should be smaller interest rate spreads on domestic U.S. lending and a closer convergence between domestic and Euro-currency rates. However the evidence on declining spreads in domestic lending is largely anecdotal and is derived in part from bank stock analysts. Declining spreads are hard to document empirically since they may occur in a variety of ways other than through reductions in posted lending rates, i.e., reductions in compensating balance requirements, reductions in margins over prime for non-prime borrowers, and some Euro-currency pricing for domestic borrowers. Furthermore, it is difficult to disentangle the impact of foreign banks on domestic loan spreads from the competitive impact of commercial paper. Morgan Guaranty, in World Financial Markets, compares the costs of Euro-dollar credits to the costs of issuing commercial paper.

12/ Although the aggregate figures conceal considerable diversity among the foreign banking institutions the growth in their deposits represents a continuing structural change that over time is making the foreign banks as a group more similar to domestic banks. For example, the foreign banks' overall loan/deposit ratio was 1.71 in November 1972; it had decreased to 1.26 by May 1977 and was 1.24 in May 1978; the comparable loan/deposit ratio for the weekly reporters in May 1978 was .74.

The substantial growth in deposit liabilities to domestic non-banks is attributable to two major factors: (1) a $3 billion increase in time deposits of U.S. residents at branches; and (2) a $3 billion increase in deposits of U.S. residents at subsidiary commercial banks, about $1 billion of which was an increase in demand deposits. Most of the increase in domestic time deposits at branches -- which are almost exclusively large CDs -- was accounted for by branches of Japanese and European banks.[13/] Traditionally, non-bank deposits from foreign sources have accounted for a substantial portion of the deposit growth at U.S. branches of foreign banks, but recently these deposits have been growing very slowly compared with the growth of their deposits from U.S. residents. This rapid increase in domestic time deposits suggests an increased acceptance of branches of foreign banks by U.S. investors, thus enhancing the branches' ability to compete with domestic banks.

The $1 billion growth in demand deposits of U.S. residents at subsidiary commercial banks -- an increase of about one-third -- reflects the retail-oriented nature of their activities. Most of the growth from May 1977 to May 1978 was due to expansion of existing commercial banks.[14/][15/] The three major acquisitions of U.S. banks by foreign banks that have occurred in

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13/ See p. 12 below regarding the Japanese banks' shift in preference from the agency to the branch form of operation.
14/ The number of foreign bank-owned subsidiary commercial banks increased by six from May 1977 to May 1978 but these are all still quite small; as of May 1978 only two of these banks, both of which were located in Puerto Rico, had standard assets of more than $100 million.
15/ This growth includes the purchase of branches by the Sumitomo Bank from the Bank of California.

recent years were completed prior to May 1977 and are reflected in the deposit data for that date.[16] The three major acquisitions recently announced have not been completed and are thus not reflected in the May 1978 data.[17]

Net interbank liabilities. As part of the management of the dollar positions of their parent organizations, many U.S. offices of foreign banks engage actively in both deposit-placing and deposit-taking activities in interbank markets, both domestic (largely Federal funds and time deposits with and from banks) and foreign (Euro-dollars). From May 1977 to May 1978 U.S. offices of foreign banks increased their net domestic interbank liabilities by about $3-1/2 billion, and had a net decrease in interbank liabilities in foreign markets of about $2 billion. By May 1978, U.S. offices of foreign banks' net borrowings in the domestic interbank market were nearly $6 billion; in foreign interbank markets U.S. offices of foreign banks had, in the aggregate, a net asset position of almost $6 billion.

These overall net interbank positions of foreign banks do not, of course, reveal the diversity in the use of these markets by individual banks. Examining the aggregates by parent country gives some indication of this diversity. U.S. offices of Japanese banks appear to be continuing their

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16/ These acquisitions included Franklin National Bank by the European-American Group, First Western Bank and Trust (now Lloyd's Bank of California) by Lloyd's International Bank, and Southern California First National Bank (now California First Bank) by the Bank of Tokyo.
17/ See pp. 12-13 below.

practice of establishing and drawing on credit lines with a large number of U.S. banks. In May 1978 Japanese institutions had a net liability position of about $6 billion in the domestic interbank market. By contrast, European banks, taken as a group, used the domestic interbank maket as an investment outlet for their liquid dollar balances; as of May 1978 U.S. offices of European banks were net placers of $1-1/4 billion in the domestic interbank market.

Net liabilities to foreign related institutions. U.S. offices of foreign banks increased their net funding from related institutions abroad between May 1977 and May 1978 from about $9 billion to $13 billion. European banks accounted for more than half of this increase; as of May 1978 the U.S. offices of European banks had net advances from their parents amounting to more than $6-1/2 billion. Data for individual foreign banks' U.S. operations suggest that banks that rely heavily on funds from their parents tend to be less reliant on net funding from both domestic and foreign interbank markets.

Comparison with foreign branches of U.S. banks. While foreign activities of U.S. banks increased rapidly during the one-year period ending May 1978, they did not match the rate of growth of U.S. offices of foreign banks. Total assets (minus claims on related institutions) of foreign branches of U.S. banks rose by about 15 per cent over this period, compared with the 30 per cent increase in standard banking assets of U.S. offices of foreign banks noted earlier.

A striking similarity between U.S. offices of foreign banks and foreign branches of U.S. banks continues to be their reliance on funds advanced from their head offices. As of May 1978, offices of foreign banks owed about $13 billion on a net basis to their related offices outside the United States, while foreign branches of U.S. banks owed approximately $23 billion on a net basis to their head offices. This "cross-hauling" of funds appears to be a basic characteristic of international banking: at given levels of lending and deposit rates, non-indigenous banks find more customers who are willing to borrow than they can accommdate with local funds and thus must rely on advances from their head offices.

III. Institutional Structure

Type of organization and country of parent bank. Foreign banks in the United States operate through three major types of banking facilities: agencies, branches and subsidiary commercial banks. Although individual state laws permitting their establishment differ, agencies are usually banking offices that lend and transfer funds but do not accept deposits; however, they may accept credit balances, which for many purposes are the functional equivalent of deposits.[18/][19/] Branches of foreign banks conduct a

18/ In California, an agency, subject to the approval of the Superintendent of Banks, may accept deposits from foreign sources. The definition of "agency" in the International Banking Act includes agencies that accept deposits from foreign sources.

19/ In general, agencies are not subject to lending limitations for individual borrowers; California agencies that accept deposits from foreigners are subject to such lending limits.

full-service banking business, including the acceptance of deposits and the lending of funds to domestic and foreign borrowers.[20/] In contrast to branches, which are integral parts of their parent banks, subsidiary commercial banks are separately incorporated U.S. banks with lending limits and deposit support derived from their own capital.

The data in Table 3 indicate that the decline in the importance of agencies relative to branches and subsidiaries that was noted in the earlier paper is continuing. In the one-year period ending in May 1978 standard banking assets of branches grew by more than 50 per cent compared with 27 per cent for subsidiary commercial banks and only 8 per cent for agencies. By May 1978 standard banking assets of branches amounted to about $30 billion, compared with about $17 billion each for agencies and subsidiary commercial banks. The rapid increase in branch activity is largely due to a shift in emphasis by Japanese banks from agencies to branches and the growth in activities of branches of European banks. In the one-year period ending in May 1978, eight New York agencies of Japanese banks converted to branches, primarily to enable the Japanese banks to compete for domestic CDs.

The $17 billion in standard banking assets of foreign bank-owned subsidiary commercial banks may soon roughly double if the pending acquisitions

20/ Branches are limited in the amount of credit they can provide to single borrowers, but these limits are not uniform in all states.

of Hong Kong and Shanghai Banking Corporation to purchase Marine Midland Bank, National Westminster Bank to purchase National Bank of North America, and Standard Chartered Bank to purchase Union Bank of California are consummated. As of December 1977 the total domestic office assets of these three banks were about $17 billion. Thus, in the near future the aggregate standard assets of subsidiary commercial banks could roughly equal the standard assets of branches.[21/]

In addition to increasing substantially the aggregate assets of commercial bank subsidiaries of foreign banks, these three pending acquisitions will create a new phenomenon of money-market banks that have related banking offices in more than one state. All three acquiring foreign banks already have branches or agencies in New York, California, and Illinois. In addition, Hong Kong and Shanghai and Standard Chartered both have branches in Washington, and Standard Chartered also has an agency in Florida.[22/][23/]

21/ In addition to these three major acquisitions, GATX Corporation has recently announced its intention to sell its 84 per cent interest in La Salle National Bank of Chicago (which had total assets of $0.8 billion as of December 1977) to Algemene Bank Nederland.

22/ Moreover the International Banking Act of 1978 would not prevent these banks from opening agencies or branches (with limited deposit-taking powers) in additional states. (See below, p. 17.)

23/ Both Hong Kong and Shanghai and Standard Chartered have subsidiary commercial banks in California; Hong Kong and Shanghai has recently announced an agreement to sell its California bank to Central National Bank to comply with the Bank Holding Company Act.

Operations by state. Most of the U.S. offices of foreign banks are located in New York, California, and Illinois. Because of their international trade and money-market orientation, these states have been the most attractive to foreign banks and as of May 1978 accounted for 96 per cent of the assets of foreign banks in the United States. Several other states do, however, permit foreign banks to operate. There have been offices of foreign banks in Massachusetts, Washington, Oregon, and Hawaii for some time. Within the last few years, Georgia, Florida and Pennsylvania have passed legislation allowing foreign banks to establish agencies, and as of May 1978, two foreign banks were operating agencies in Florida and four foreign banks were operating agencies in Georgia.

The data in Table 4 compare the growth in activities of the foreign banks with the weekly reporting banks in the three major states. In all three states C and I lending has continued to expand more rapidly than similar lending by the weekly reporting banks, their major competitors. In New York State, for example, as of May 1978 C and I lending of U.S. offices of foreign banks amounted to 43 per cent of similar lending by weekly reporters located in New York; in California, C and I loans of the foreign banks amounted to 35 per cent of comparable loans by weekly reporters. In New York and California, deposits of non-banks at offices of foreign banks grew more rapidly than similar deposits as weekly reporting banks.

Multi-state activities. With few exceptions, U.S. banks are prohibited from operating banking facilities in more than one state. By contrast, foreign banks can open agencies and branches in more than one state, and they have taken advantage of this situation to continue to expand their multi-state banking facilities. Table 5 shows that in May 1978, 123 foreign parent banks operated 268 banking offices in the United States. Slightly less than half of the parent banks had banking facilities in only one state; 31 had offices in two states and 32 had offices in three or more states.

Activities of foreign banks outside their principal state of operation have continued to grow very rapidly.[24/] Standard banking assets and C and I loans of offices outside a parent's principal state of operation each grew by more than 40 per cent in the one-year period ending in May 1978. As of that date, standard banking assets of offices outside a parent's principal state of operation amounted to a little over $18 billion, or about 28 per cent of aggregate standard assets of U.S. offices of foreign banks. C and I loans of non-principal state offices accounted for 36 per cent of total C and I loans of U.S. offices of foreign banks; non-bank deposits at offices outside a parent's principal state accounted for nearly one-fifth of total non-bank deposits.

It has sometimes been argued that multi-state banking activities of U.S. offices of foreign banks are analogous to multi-state banking activities conducted by major U.S. banks through their "out-of-state" Edge

24/ A principal state was defined for each parent using a total asset criterion for all operations in each state. (See Table 5.)

corporations. However, the data in Table 6 suggest that activities of Edge corporations are rather different from those of U.S. agencies and branches of foreign banks. In particular, C and I lending by Edge corporations is extremely small compared with similar lending by agencies and branches. As of March 1978 total C and I loans of Edge corporations amounted to less than $2 billion, compared with similar lending of $12 billion by branches and $8 billion by agencies of foreign banks.[25/][26/] As is the case with agencies, total deposits and credit balances at Edge corporations are relatively small and primarily from foreign sources. By contrast, branches as of March 1978 had nearly $11-1/2 billion in deposits of non-banks; nearly two-thirds of this amount represented deposits from U.S. residents.

These differences are not surprising, given the legal limitations on Edge corporations. Edge corporations can accept demand and time deposits (but not savings deposits) only if such deposits are incidental to international or foreign transactions. The Federal Reserve Board has interpreted this requirements to allow Edge corporations to accept deposits from any foreign resident and to accept deposits from U.S. residents only for an international purpose or transaction. On the asset side, an Edge

25/ Recent data for Edge corporations are available only for end-of-quarter report dates.

26/ Since Edge corporations' lending limits are based upon their own capital, Edge corporations often arrange loans that are subsequently booked at their parent banks.

corporation is also limited to banking services that are strictly international in character; for example, an Edge corporation may finance the import of merchandise for a local wholesale or retail firm but may not finance the operating expenses of such a firm, even if it deals strictly in imported goods.

IV. International Banking Act of 1978

Several provisions of the recently enacted International Banking Act of 1978 can be expected to have an impact on the banking activities of the U.S. offices of foreign banks. With regard to multi-state activities, the Act contains a provision, introduced by Senator Stevenson, that will restrict the deposit-taking powers of branches that are established outside a foreign bank's home state to the deposit-taking powers of Edge corporations.[27/] This restriction will apply only to branches for which applications were filed after July 26, 1978. There is no limitation on the branches' asset structure, and the establishment of agencies of foreign banks in more than one state is not limited in any way. Senator Stevenson's provision was a compromise between the Federal Reserve Board's proposal to prohibit future establishment of branches outside a foreign bank's home state and the version of the International Banking Act passed by the House of Representatives earlier this year, which contained no restrictions on future establishment of agencies or branches in more than one state.

27/ The Act allows a foreign bank to choose its home state from among those states in which it was operating at the time of enactment.

Under Section 7 of the International Banking Act, the Federal Reserve Board is given the authority to impose Federal Reserve System reserve requirements on all U.S. branches and agencies of foreign banks that have \$1 billion or more in worldwide assets.[28/] At present, for example, agencies in California and branches in New York and Illinois are subject to state-imposed reserve requirements that are similar in magnitude to Federal Reserve System reserve requirements for member banks, but which can be satisfied by demand balances held at U.S. commercial banks.[29/] It seems likely, therefore, that agencies and branches would restructure their balance sheets somewhat to minimize the cost of holding Federal Reserve reserve requirements; for example, they might reduce substantially their collected "due from" balances at U.S. commercial banks, particularly since they will be given access to Federal Reserve services.

The Act also provides for FDIC insurance of domestic deposits in branches of foreign banks that accept deposits of less than \$100,000.[30/] The FDIC is authorized to exempt a branch from the deposit insurance requirement if it determines that the branch is not engaged in domestic retail deposit

28/ All but a few of the foreign banks that have U.S. offices have worldwide assets of \$1 billion or more.
29/ Both collected and uncollected "due from" balances can be used to satisfy state reserve requirements.
30/ FDIC insurance is not required for branches in states (such as Illinois) that do not require state-chartered banks to be insured.

activities. Thus, some branches that have only token retail deposits, such as deposits for their employees, might not be required to have FDIC insurance. Some branches, however, may decide to take advantage of FDIC insurance to compete actively for retail deposits.

V. Conclusion

Data for the period from May 1977 to May 1978 confirm the trends noted in the earlier paper. Both entry of new banks and expansion of existing banks are continuing to contribute to the growth of foreign banking activities in the United States. The U.S. offices of foreign banks are continuing to become increasingly active participants in the C and I loan market and to increase significantly their use of domestic deposits as a source of funds. They continue to rely, however, on advances from their parents to finance some portion of their U.S. activities.

The International Banking Act of 1978 provides a new legislative and regulatory environment for the future growth of the U.S. activities of foreign banks. The provisions noted above -- placing some limit on the deposit-taking powers of future branches in additional states, giving the Federal Reserve authority to impose reserve requirements on agencies and branches, and providing FDIC insurance for branches that accept small deposits -- will undoubtedly shape the pattern of their future growth. While the recent legislation may alter the rate of growth of foreign bank activity and

Table 1

Comparison of U.S. Offices of Foreign Banks with Weekly Reporting U.S. Banks
(in millions of dollars)

	November 1972			May 1977			May 1978		
	U.S. Offices of Foreign Banks	Weekly Reporting Banks	Foreign as Per cent of Weekly Reporting Banks	U.S. Offices of Foreign Banks	Weekly Reporting Banks	Foreign as Per cent of Weekly Reporting Banks	U.S. Offices of Foreign Banks	Weekly Reporting Banks	Foreign as Per cent of Weekly Reporting Banks
I. Standard Banking Assets	18,073	353,330	5.1	50,373	487,624	10.3	65,474	555,868	11.8
A. Commercial and industrial loans	8,857	88,398	10.0	20,659	115,555	17.9	26,706	132,456	20.2
1. U.S. residents	7,157	80,462 a/	8.9	15,351	105,461 a/	14.6	20,011	123,546 a/	16.2
2. Foreign residents	1,699	1,928 a/	88.1	5,391	5,963 a/	90.4	6,695	5,195 a/	128.9
B. Other loans	1,117	115,868	1.0	4,909	146,883	3.3	6,623	170,362	3.9
C. Interbank loans and deposits b/	2,949	16,282	18.1	14,383	24,056	59.8	18,862	33,140	56.9
1. U.S.	2,383	13,352	17.8	9,498	18,584	51.1	11,793	26,947	43.8
2. Foreign	567	2,930	19.4	4,885	5,472	89.3	7,068	6,192	114.1
D. Securities	1,924	84,427	2.3	4,233	112,955	3.7	5,455	113,460	4.8
E. Other assets	3,226	48,354	6.7	6,178	88,376	7.0	7,828	106,451	7.4
II. Clearing Balances	1,968	39,652	5.0	6,515	50,685	12.9	14,277	74,506	19.2
III. Due from Related Institutions	4,277	n.a.	--	11,866	n.a.	--	18,800	n.a.	--
1. U.S.	1,762	n.a.	--	4,740	n.a.	--	6,692	n.a.	--
2. Foreign	2,515	n.a.	--	7,126	n.a.	--	12,188	n.a.	--
TOTAL ASSETS/LIABILITIES	24,317	392,983	6.2	68,754	538,309	12.8	98,631	630,374	15.6
I. Standard Banking Liabilities	10,606	328,572	3.2	40,919	458,888	8.9	56,304	533,116	10.6
A. Deposits and credit balances of non-banks	5,843	276,326	2.1	20,291	355,419	5.7	26,912	406,552	6.6
1. U.S. residents	3,942	n.a.	--	13,874	n.a.	--	20,048	n.a.	--
2. Foreign residents	1,901	n.a.	--	6,416	n.a.	--	6,864	n.a.	--
B. Borrowings from non-banks	313	2,682	11.7	3,425	4,142	82.7	4,818	6,787	71.0
C. Interbank liabilities c/	2,635	34,504	7.6	12,589	73,584	17.1	18,640	88,862	21.0
1. U.S.	2,241	34,299	6.5	11,734	72,431	16.2	17,569	87,873	20.0
2. Foreign	394	205	192.2	855	1,153	74.2	1,071	988	108.4
D. Other liabilities	1,816	15,060	12.1	4,614	25,743	17.9	5,934	30,915	19.2
II. Clearing Liabilities d/	1,544	31,002	5.0	4,865	37,604	12.9	7,706	51,859	14.9
III. Due to Related Institutions	11,509	--	--	20,800	--	--	31,990	--	--
1. U.S.	1,971	--	--	5,011	--	--	7,023	--	--
2. Foreign	9,537	--	--	15,789	--	--	24,9[illegible]		--
IV. Capital Accounts and Reserves	658	33,409	2.0	2,170	41,817	5.2	2,631	45,398	5.8
Memorandum: Number of Reporting Institutions	104	318		215	312		276	310	

a/ Does not include acceptances held in loan portfolio.
b/ Includes Federal funds sold but does not include demand deposits due from banks.
c/ Includes Federal funds purchased but does not include demand deposits due to banks.
d/ Includes certified and officers checks, travelers' checks, letters of credit, etc.
Note: Details may not add to totals due to rounding.

Table 2

Deposits and Credit Balances at U.S. Offices of Foreign Banks*
(in millions of dollars)

	November 1972	May 1977	May 1978
Agencies, Branches and Investment Companies*			
Deposits and credit balances of non-banks	2,961	9,779	13,358
Due to: Domestic customers	1,446	4,392	7,743
Demand	472	897	891
Time and savings	974	3,496	6,851
Foreign customers	1,516	5,385	5,615
Demand	418	1,183	1,243
Time and savings	1,098	4,203	4,371
Subsidiary Commercial Banks			
Deposits and credit balances of non-banks	2,882	10,512	13,554
Due to: Domestic customers	2,496	9,482	12,305
Demand	802	3,051	4,103
Time and savings	1,694	6,430	8,202
Foreign customers	386	1,031	1,249
Demand	144	216	337
Time and savings	242	815	912
Total deposits and credit balances of non-banks	5,843	20,291	26,912

*Includes foreign bank-owned agreement corporations.
Note: Details may not add to totals due to rounding.

Tab 3

Selected Balance Sheet Categories for U.S. Offices of Foreign Banks, by Type of Institution and Country of Parent

(in millions of dollars)

	Agencies			Branches			Subsidiary Commercial Banks		
	Nov. 1972	May 1977	May 1978	Nov. 1972	May 1977	May 1978	Nov. 1972	May 1977	May 1978
All Countries									
Total Assets	13,365	24,348	30,811	5,302	27,459	44,488	4,064	15,166	20,312
Standard Banking Assets	9,959	15,684	16,872	3,283	20,138	30,448	3,747	13,117	16,612
C & I Loans	5,585	8,208	8,337	1,259	7,935	12,649	1,417	4,111	5 262
Deposits and Credit Balances of Non-Banks	523	805	818	1,985	8,477	12,112	2,882	10,512	13,554
Number of Institutions	50	93	122	26	81	107	25	34	40
Japan									
Total Assets	8,766	14,101	14,540	--	4,386	10,284	2,012	5,648	7,005
Standard Banking Assets	6,857	9,910	8,833	--	3,658	8,539	1,914	5,116	6,143
C & I Loans	4,549	5,975	5,060	--	2,798	5,472	833	1,798	2,208
Deposits and Credit Balances of Non-Banks	130	110	62	--	681	1,810	1,477	4,024	5,170
Number of Institutions	21	27	21	(1)	14	27	6	10	11
Canada									
Total Assets	4,083	5,929	9,704	567	890	1,618	382	702	1,075
Standard Banking Assets	2,617	3,115	4,263	244	670	935	339	664	942
C & I Loans	882	1,496	1,953	147	443	605	69	200	283
Deposits and Credit Balances of Non-Banks	200	272	291	449	644	1,155	283	509	698
Number of Institutions	9	12	13	4	6	7	8	8	9
Europe									
Total Assets	466	2,136	2,744	3,815	19,443	27,946	1,503	8,096	11,363
Standard Banking Assets	252	1,524	1,791	2,493	14,399	18,929	1,348	6,785	8,800
C & I Loans	62	518	771	887	4,105	5,809	484	1,929	2,533
Deposits and Credit Balances of Non-Banks	125	163	122	1,204	6,348	8,231	1,012	5,444	7,131
Number of Institutions	11	21	32	13	44	50	9	12	14
Rest-of-World									
Total Assets	320	2,182	3,823	730	2,741	4,641	--	720	869
Standard Banking Assets	234	1,135	1,984	502	1,412	2,044	--	551	727
C & I Loans	92	219	553	216	589	763	--	185	238
Deposits and Credit Balances of Non-Banks	68	259	344	291	805	917	--	535	555
Number of Institutions	9	33	56	8	17	23	(2)	4	6

Note: Details may not add to totals due to rounding.

Table 4

Comparison of Selected Balance Sheet Categories for U.S. Offices of Foreign Banks and Weekly Reporting U.S. Banks, by State
(in millions of dollars)

	New York			California			Illinois		
	U.S. Offices of Foreign Banks	Weekly Reporting Banks	Foreign as Per cent of Weekly Reporting Banks	U.S. Offices of Foreign Banks	Weekly Reporting Banks	Foreign as Per cent of Weekly Reporting Banks	U.S. Offices of Foreign Banks	Weekly Reporting Banks	Foreign a[s] Per cent [of] Weekly Reportin[g] Banks
Total Assets/Liabilities									
November 1972	17,882	113,108	15.8	5,511	63,812	8.6	34	26,820	0.1
May 1977	47,321	148,320	31.9	17,374	90,280	19.2	2,148	41,091	5.2
May 1978	68,923	174,682	39.5	22,768	108,509	21.0	2,935	48,426	6.1
Standard Banking Assets									
November 1972	14,067	96,139	14.6	3,679	59,494	6.2	33	25,113	0.1
May 1977	35,565	128,010	27.8	11,774	84,406	13.9	1,702	38,407	4.4
May 1978	45,336	145,316	31.2	14,942	99,565	15.0	2,455	43,966	5.6
Commercial and Industrial Loans									
November 1972	6,704	28,952	23.2	1,977	13,213	15.0	15	7,878	0.2
May 1977	13,536	35,622	38.0	5,147	16,740	30.7	967	11,340	8.5
May 1978	16,715	38,480	43.4	6,875	19,671	34.9	1,459	13,690	10.7
Deposits and Credit Balances of Non-Banks									
November 1972	3,546	67,811	5.2	1,671	50,421	3.3	5	18,581	a/
May 1977	13,154	77,927	16.9	5,550	69,575	8.0	592	24,495	2.4
May 1978	17,258	88,747	19.4	7,061	81,047	8.7	488	27,962	1.7

a/ Negligible.

Table 5

Multi-state Activities of Foreign Banks in the United States[1/]

	November 1972	May 1977	May 1978
Number of U.S. banking facilities operated by foreign banks	100	209	268
Number of foreign parents operating these U.S. banking facilities:[2/]	52	96	123
in only 1 state	29	46	60
in 2 states	20	27	31
in 3 or more states	3	23	32

Balance sheet data for U.S. operations of foreign banks outside their principal state of operation (in billions of dollars):[3/]			
Total assets/liabilities	5.5	18.0	24.4
Standard banking assets	3.6	12.8	18.3
C & I loans	2.1	6.9	9.7
Deposits and credit balances of non-banks	1.2	4.5	5.1
(Number of facilities)	(35)	(94)	(122)

1/ Excludes offices in Puerto Rico, U.S. Virgin Islands and Guam.

2/ Consortia such as European-American counted as a single parent organization.

3/ Defined using a total asset criterion for all operations in each state.

Table 6

<u>The Activities of "Out-of-State" Edge Corporations*</u>
(in millions of dollars)

	Total			New York			Others		
	Nov. 1972	March 1977	March 1978	Nov. 1972	March 1977	March 1978	Nov. 1972	March 1977	March 1978
Total Assets/Liabilities	3,504	8,764	11,454	3,139	6,865	8,972	366	1,899	2,482
Commercial and Industrial Loans	715	1,631	1,571	567	1,149	1,012	148	482	559
1. U.S. residents	295	656	439	208	486	289	87	170	150
2. Foreign resident	419	975	1,131	358	663	723	61	312	409
Deposits and Credit Balances of Non-banks	478	1,373	1,450	369	706	698	109	667	752
1. U.S. residents	137	237	219	103	132	116	33	104	102
2. Foreign residents	341	1,136	1,231	266	574	581	75	563	650
Memorandum: Number of Corporations	39	58	59	21	23	23	18	35	36

*Corporation whose parent bank is domiciled in another state.
Note: Details may not add to totals due to rounding.