

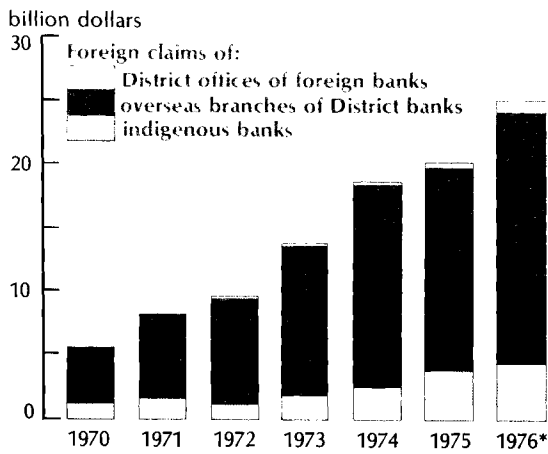
Banking insights

International banking in the Seventh Federal Reserve District

The postwar period has been one of unprecedented growth for the United States in international banking activities. U.S. banks expanded their loans and other claims on foreigners dramatically; the total reached \$80.7 billion at the end of 1976 from the U.S.-based offices. In addition, U.S. banks expanded overseas by establishing branches worldwide; at the close of 1976 U.S. banks operated 731 branches in 85 foreign countries with assets totaling \$220 billion.

The expansion of U.S. banks abroad has been accompanied by a rapid expansion of activities of foreign banks in the United States. By the end of 1976 there were 199 foreign financial institutions operating in the United States with total assets of \$76 billion.

Foreign claims of banks in the Seventh District 1970-1976*



International banking activities of indigenous banks

The rapid rate of growth of international banking activities in the United States as a whole was more than matched by the expan-

Foreign offices of Seventh District banks (by country)

	No.
Bahamas	9
Barbados	1
Belgium	2
Cayman Islands	8
England	14
France	3
Germany	5
Greece	6
Ireland	1
Italy	3
Jamaica	1
Japan	4
Kenya	1
South Korea	1
Lebanon	1
Luxembourg	1
Mexico	1
Netherlands	2
Panama	2
Singapore	2
Switzerland	1
Taiwan	1
United Arab Emirates	1
TOTAL*	71

*As of December 1976.

sion of such activities in the Seventh Federal Reserve District. In the early postwar years District banks showed only minimal interest in international banking, as reflected in their total claims on foreigners held in that period—only \$100 million at the beginning of 1960. In the early sixties, however, the situation changed dramatically. Banks began to expand their foreign loans and to establish banking facilities abroad. By the end of 1976

District banks' claims on foreigners amounted to \$5.3 billion, and there were 71 branches of District banks with assets totaling \$19.7 billion. The geographical distribution of assets at the close of 1976 (by residence of the branches' customers) showed claims on Europe of \$10.4 billion, Latin America and the Caribbean \$4.2 billion, Asia \$3.3 billion, the United States \$835 million, Africa \$471 million, and Canada \$321 million.

Assets of foreign banks in the Seventh District			
<i>(by bank)</i>			
BRANCHES	As of the end of		
	1975	1976	1Q 1977
	<i>(thousand dollars)</i>		
Algemene Bank Nederland N.V.	92,473	93,276	72,654
Banca Commerciale Italiana	221,082	385,723	350,756
Bank Leumi Le Israel	26,793	47,659	30,593
Barclays Bank International LTD	13,121	11,555	16,018
Banque Nationale de Paris	63,715	86,006	72,581
Banque De L'Indochine et De Suez	923	24,050	27,397
The Chartered Bank	2,894	9,100	14,897
Commerzbank	52,952	116,476	111,406
Credit Lyonnais	122,042	333,036	404,904
Dresdner Bank, AG	22,887	41,297	20,380
European Banking Co., LTD	25,157	1,018	*
Hong Kong & Shanghai Banking Co.	473	7,445	6,281
The International Commercial Bank of China	3,803	6,340	5,283
Korea Exchange Bank	15,017	12,725	17,582
Lloyds Bank International LTD	49,614	30,176	32,708
National Bank of Greece	29,201	40,376	38,638
National Westminster Bank, LTD	63,616	103,742	143,419
The Sanwa Bank, LTD	177,088	177,210	155,891
State Bank of India	2,336	11,115	14,052
The Sumitomo Bank Limited	152,565	198,815	204,212
Swiss Bank Corporation	158,304	326,555	318,129
Union Bank of Bavaria	23,256	67,220	63,962
Union Bank of Switzerland	**	**	2,110
Subtotal	1,319,312	2,130,915	2,123,853
SUBSIDIARIES			
Banco Di Roma	133,006	170,913	160,063
First Pacific Bank	102,751	157,295	145,388
Subtotal	235,757	328,208	305,451
GRAND TOTAL	1,555,069	2,459,123	2,429,304

*European Banking Company closed in March 1977.
**Union Bank of Switzerland opened in February 1977.

Assets and liabilities of foreign banks in Chicago
(in type)

	<u>As of the end of</u>		
	<u>1975</u>	<u>1976</u>	<u>1Q 1977</u>
ASSETS	<i>(million dollars)</i>		
Cash, cash items in process of collection, balances with Federal Reserve, and due from directly related commercial banks	222.5	628.0	587.7
Stocks, bonds, and other securities	30.7	71.2	86.7
Loans to other than directly related institutions, gross	1,106.8	1,458.0	1,438.0
Due from directly related institutions	135.9	197.6	233.2
Other assets	59.1	104.3	83.1
TOTAL ASSETS*	1,555.1	2,459.1	2,429.3
LIABILITIES			
Demand deposits or credit balances due to other than directly related institutions	107.6	113.5	91.2
Time and savings deposits due to other than directly related institutions	382.8	622.1	688.1
Borrowings from other than directly related institutions	295.6	702.1	702.0
Due to directly related institutions	699.4	908.6	852.0
Other liabilities, reserves, and capital accounts	69.6	112.8	96.0
TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS*	1,555.1	2,459.1	2,429.3

*Numbers may not add due to rounding.

Foreign banks in the Seventh District

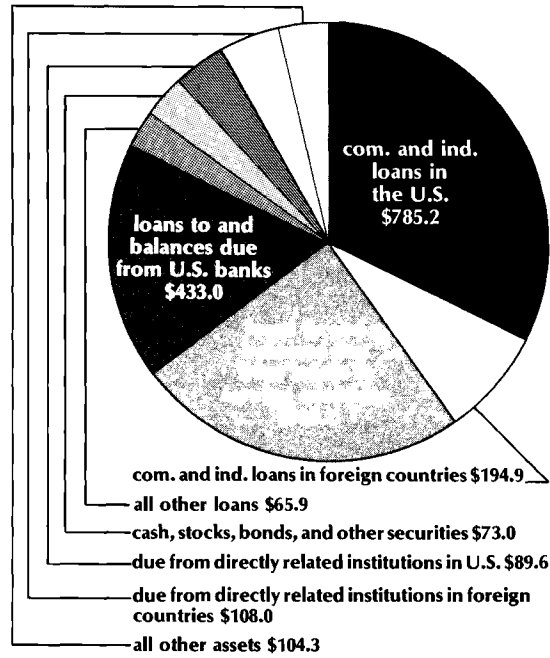
For many years the presence of foreign banks in the Midwest was limited to representative offices that had no legal power to conduct any banking business directly. As the international activities in the region continued to expand, the interest of foreign banks in establishing full banking operations grew. However, until 1973, none of the five Midwest states comprising the Seventh Federal Reserve District had provisions in their banking laws for the licensing of foreign banking operations. Finally, in 1973, the Illinois State Legislature passed the Illinois Foreign Banking Office Act, which permitted foreign banks

to establish branches in Chicago with a full spectrum of banking functions. Foreign banks responded aggressively to the opportunity: in the three years that the act has been in effect, the number of foreign banks operating in Chicago has reached 26. Their activities expanded rapidly, and by the end of 1976 their assets totaled \$2.4 billion.

One notable feature about foreign banks' activities in Chicago has been the extent of their involvement in "domestic" banking. A comparison between the aggregate assets of the foreign banking institutions in the Chicago District and those for the United States as a whole shows commercial and in-

**Assets of branches and subsidiaries
of foreign banks in Chicago**

total assets \$2,459.1 million



*As of December 1976.

dustrial loans to parties in the United States amounted to 32 percent of their total assets, as compared to 20 percent for all foreign financial institutions in the country. This suggests a higher level of participation in the domestic market by foreign banks in Chicago.

Conclusion

Historically, the Midwest has been an important center of the nation's international activities, where a large share of the country's international trade and investment has originated. Many years passed before the District banks responded to the challenges and opportunities presented by this situation. But once the response was initiated, progress was rapid. Today, District banks literally span the globe, providing international banking services to their U.S. and foreign customers on a scale commensurate with their domestic importance. And the expansion of the operation of foreign banks has added another dimension to the internationalization of banking in the Seventh District.

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