

The financial houses selling these debentures are using the very same dollars that I propose to use to make loans of a lesser duration, and the American subsidiary abroad does not like to be obligated to pay a high rate of interest ad infinitum for 15 or 20 years because it really does not need the money for 15 or 20 years. But we are stopped from helping it for 3, 4, or 5 years, which is really the requirement that it had, because of the interest equalization tax, and yet we are using the same dollars.

The CHAIRMAN. So you would be able to give better treatment to Americans doing business overseas through American branch banks overseas—

Mr. BARTH. That is right.

The CHAIRMAN. If you were not foreclosed from doing this.

Mr. BARTH. That is right.

The CHAIRMAN. And it would be better for the American business interests and, of course, it would be better for your bank because you like to do business with those Americans over there.

Mr. BARTH. We like to pay taxes, too.

The CHAIRMAN. Are you sure about that now, Mr. Barth?

Mr. BARTH. Yes, sir. The more business we do the more we can pay.

The CHAIRMAN. Thanks so much.

Senator WILLIAMS.

Senator WILLIAMS. In the foreign branches are you allowed to hold gold?

Mr. BARTH. I beg your pardon?

Senator WILLIAMS. Can you hold gold in your reserves in your foreign branches?

Mr. BARTH. In the foreign branches we do not; no. We are not allowed by law, but there are certain exceptions made. For instance, we have an affiliated bank in Peru, and they have for years and years and years put their reserves in gold, and we have a license from the Treasury Department to continue that.

Then there is another exception in the Persian Gulf where banks are permitted to trade in gold, also under license of the Treasury, but not for their own account.

Senator WILLIAMS. I did not understand.

Mr. BARTH. They are not allowed to trade in gold for their own account. They are only allowed to finance the trading of gold.

Senator WILLIAMS. And, as I understand it, through your branch banks you would not be allowed to arrange a program where you could convert any of these dollars into gold if you wished.

Mr. BARTH. No, no; because the gold regulations of the Treasury Department do not apply only in the United States. They touch every American or every American corporation wherever they are.

Senator WILLIAMS. That was my understanding.

Are you permitted in your investment portfolio abroad to buy these bonds that the Treasury is issuing in the foreign countries that are payable in marks or francs or whatever they may be?

Mr. BARTH. In our investment portfolio abroad or here?

Senator WILLIAMS. Abroad. I know you are not here.

Mr. BARTH. Abroad in Germany we will buy some German mark bonds, yes. In France we have to buy French. In Britain we have to buy British for reserve requirements or capital requirements.

Senator WILLIAMS. I did not quite mean that.