

foreign exchange restrictions for the British, foreign currency deposits by nonresidents in London banks have never been affected. That is the strength of the London market.

Senator DOUGLAS. Senator Carlson.

Senator CARLSON. Mr. Barth, just one or two questions. I was interested in what I believed to be the substantial increase, I think you said in 1963 there were between seven and seven point something billion; and in 1965 or 1966 it is \$11 billion. What is responsible for this great increase in these 2 or 3 years?

Mr. BARTH. Well, I suppose the proper answer to your question is that the increase represents an increase of dollars held outside of the jurisdiction of the United States. In other words, they have not been permitted to come back as American dollars, and these \$11,750 million are outside of the jurisdiction of the United States today.

Senator CARLSON. Well, I assume that this, which would be, approximately \$4 billion in the last 3 years, which is a substantial movement of dollars, have they gone over for investment purposes and because interest rates are higher? Have they gone over—

Mr. BARTH. Well, the obvious reason is, when I say it is not subject to the jurisdiction of the United States, the European banks are not subject to the jurisdiction of regulation Q, and I will give you an example of what money market rates are in London today. I am speaking of dollars.

Senator CARLSON. That is right.

Mr. BARTH. It may interest you to hear this. Call money, that is, sight deposit, $5\frac{3}{4}$ percent; 7-day fixed, $6\frac{1}{8}$; 1 month, $6\frac{1}{2}$; 2 months, $6\frac{3}{8}$ percent; 3 months, $6\frac{7}{16}$; 6 months, $6\frac{13}{16}$; and 12 months, $7\frac{1}{4}$ to $7\frac{3}{8}$, compared to your maximum here of $5\frac{1}{2}$.

Senator CARLSON. In other words, our citizens just show they have good business acumen, and put their money where they can get good interest and good rates.

Mr. BARTH. Well, Senator, I believe no branch bank of an American bank will accept abroad a dollar deposit from a citizen of the United States except if he is a resident of London. We would not accept an account from any citizen of the United States who is a resident in the United States, either in London or Paris or Beirut. We have an understanding along those lines with the Federal Reserve Bank.

Senator CARLSON. That is what I was going to get to next. You state in your statement, you say, "The U.S. commercial banks can make advances to their foreign branches only within the restrictive limits of the Federal Reserve balance-of-payments guideline." As a member of the committee you would help me if you would tell me what are some of those restrictions.

Mr. BARTH. Well, that means that we cannot transfer money to London to let London loan the money to foreign individuals. What we propose is to let London generate its own deposits to make these loans.

Senator CARLSON. In other words, these restrictions then evidently are not too effective, are they?

Mr. BARTH. They are very, very effective.

Senator CARLSON. You say they are very effective?

Mr. BARTH. Yes.

Senator CARLSON. Well, I was just interested in what is happening to our dollars, and I am also cognizant of the balance-of-payments