

ceiling calculations for banks with small bases result in a ceiling in excess of 109 per cent, it is requested that the amount in excess of 109 per cent of a bank's base be used exclusively for such priority credits. The leeway for additional foreign credits provided by the 1966 guidelines plus the funds available from repayments on outstanding credits will provide larger resources than last year to finance an expanded volume of exports and to satisfy credit requirements of less developed countries.

The guidelines for banks and nonbank financial institutions follow.¹

GUIDELINES FOR BANKS

(1) BASE, CEILING, AND REPORTING

(a) Base

1. The base is a bank's total claims on foreigners for own account, including foreign long-term securities, on December 31, 1964, except for the exclusion in (a) 3 below.

2. Meaning of terms:

(A) "Foreigners" include individuals, partnerships, and corporations domiciled outside the United States, irrespective of citizenship, except their agencies or branches within the United States; branches, subsidiaries, and affiliates of U.S. banks and other U.S. corporations that are located in foreign countries; and any government of a foreign country or official agency thereof and any official international or regional institution created by treaty, irrespective of location.

(B) "Long-term securities" are those issued without a contractual maturity or with an original maturity of more than 1 year from the date of issuance.

(C) "Other claims" include all long-term claims other than securities, real assets, net investment in and advances to foreign branches and subsidiaries, and all short-term claims (such as deposits, money market instruments, customers' liability on acceptances, and loans).

3. Specific inclusions and exclusions:

(A) Claims on foreigners should be included without deduction of any offsets. Foreign customers' liability for acceptances executed should be included whether or not the acceptances are held by the reporting bank. Participations purchased in loans to foreigners (except participations in loans extended by the Export-Import Bank) also should be included.

(B) Contingent claims, unutilized credits, claims held for account of customers, acceptances executed by other U.S. banks, and participations in loans arranged by or guaranteed by the Export-Import Bank or insured by the Foreign Credit Insurance Association should be excluded.

(b) Ceiling

1. The 1966 ceilings with respect to the amount of foreign credits outstanding by a bank with a base of \$5 million or more are as follows:

(A) In the first calendar quarter, 106 per cent of its base;

(B) In the second calendar quarter, 107 per cent of its base;

(C) In the third calendar quarter, 108 per cent of its base;

(D) In the fourth calendar quarter, 109 per cent of its base.

2. In lieu of the ceiling prescribed in (b) 1 above, a bank with a base of \$500,000 but less than \$5 million, may use the following special ceiling:

(A) In the first calendar half, its base plus \$225,000;

(B) In the second calendar half, its base plus \$450,000.

3. The ceiling for a bank with a base below \$500,000 is 150 per cent of its base. However, any such bank, or a bank which had no foreign credits outstanding on December 31, 1964, may discuss with the Federal Reserve Bank of the Reserve district in which it is located the possibility of adopting a ceiling that would permit expansion up to \$450,000 above the bank's base.

4. In discussing the ceiling of a bank described in paragraph 3, the Federal Reserve Bank will ascertain the bank's previous history in foreign transactions, including acceptance of foreign deposits or handling foreign collections, and the reasons why the bank considers it should have additional leeway.

¹ Previous Guidelines for Banks and Nonbank Financial Institutions were published in the following BULLETINS this year: March, pp. 371-76; April, p. 532; May, p. 685; July, pp. 944-46; and August, p. 1105.