

facilities be given preference as depositories if available. The result has been that frequently facilities of U.S. banks expanding abroad received their first major deposits from U.S. Government sources. Obviously, however, caution has had to be used in shifting funds from foreign banks to U.S. banking facilities, lest the effect on the country's economy be counter to the original intent of the program that generates the foreign currencies in question.

International operations of U.S. banks, meanwhile, have taken a variety of forms. Bank policy has generally guided the type of activities individual banks undertake—within the limits of foreign regulations, since banks today continue to be subject not only to U.S. regulations, but also to national regulations in the countries in which they operate. Together, these two factors are perhaps the major determinants of the extent and scope of international operations undertaken by the leading banks.

Statistical data on international operations are highly inadequate to measure the extent of U.S. banking abroad. Only fragmentary data are available, since international transactions are generally incorporated with the overall banking statistics. The Board of Governors publishes monthly data showing claims on and liabilities to foreigners; however, this covers only a portion of international activity by banks. Similar material is published by the Treasury Department. The Comptroller of the Currency publishes annually the balance sheet items of branches of national banks. Any additional material which may be compiled is not in published form.

Banking activities abroad include the traditional correspondent relationships, direct overseas branches, agencies, and subsidiaries and affiliates. The following descriptions briefly outline U.S. foreign banking activities.

INTERNATIONAL DEPARTMENTS AND CORRESPONDENT RELATIONSHIPS

Perhaps the most prevalent form of international activity is the international department and its correspondent relationships. Such activity is not confined to the larger banks nor to those located in major port cities. Medium-size and small banks throughout the country whose customer demand can command such services are increasingly engaging in international activities. The size of international departments varies from a one-man operation to an extensive and profitable adjunct to overall bank operations. Bank services range from the buying and selling of foreign exchange and the issuance of letters of credit, to acceptance financing, and foreign lending. Wide networks of correspondent relationships have been built up over a period of years to such an extent that individual banks are now able to channel and direct transactions to virtually every part of the globe.

Where bank policy dictates, this form of international operation has been used to the exclusion or near exclusion of all others. Banks adopting this approach maintain that establishing direct operations abroad would only serve to jeopardize existing correspondent arrangements. Local banks are held to have greater and more comprehensive knowledge of the immediate market than would a foreign bank establishing operations in the same market; the gain in prestige, the closer contact with American firms operating abroad—even over a