Agencies have not been established in preference to branches—except in isolated circumstances where business conditions might not warrant the extension of diversified banking services. Such agency operations are thus effectively determined by national restrictions.

REPRESENTATIVE OFFICES

Where business does not warrant the opening of branch facilities, or where individual bank policy is less expansive, representative offices have served as an invaluable adjunct to overseas operations. Contact with correspondent banks, as well as U.S. nationals operating abroad and local customers, is much closer and more direct than through correspondent relationships alone. In many cases, a representative office will serve as liaison with an area rather than a single country. First-hand knowledge of the market is an important factor in this type of operation serving to supplement advisory services of the home office and expediting banking services.

LOCALLY ORGANIZED AFFILIATES

Overseas subsidiaries, while not the typical form of international operation, are becoming more prevalent. Not only are subsidiaries located in those countries which do not permit entry of foreign bank through other types of operations, but they are also found in countries that are more receptive to foreign banks.

This structure is quite similar to that of direct branches in terms of operations, forming a direct link to the parent bank. Certain important advantages may accrue to the parent bank, however, because of the closer identity with the local market. Acquisition of locally organized affiliates has resulted from the purchase of stock ownership of an established chartered institution or from a newly organized affiliate. The latter has generally been dictated by local banking regulations where other types of foreign entry are not permitted.

MINORITY PARTICIPATIONS

A relatively new concept of overseas bank expansion which has gained increasing attention is minority participation in newly established or in existing banking organizations. U.S. banks have acquired interests not only in commercial banks, but in investment banks and development banks as well.

Benefits to participating banks are not as clear cut or as precise as through more direct methods. However, banks have used this device as a means of entry into a country, for diversification purposes or as an alternative to direct branching. The relationship of equity interest and control can vary through a wide spectrum with management agreements and other devices providing considerable flexibility. Customer identification with foreign interests is less evident than through wholly owned subsidiaries, although this can become an advantage where foreign investment is suspect.

BANKING AND FINANCING CORPORATIONS—LEGISLATIVE FRAMEWORK

Bank operations abroad include corporations established to engage solely in international banking and finance. The authority to estab-