thorities in considering applications from U.S. banks, it has not been a requirement in the majority of cases, and for U.S. authorities to insist on this principle might very well hinder rather than assist U.S. banks in local negotiations abroad. At the present time, the licensing of foreign banks in the United States is a matter of State rather than Federal banking law and, as a result, the matter of reciprocity accorded here is exceedingly complex.

The degree of difficulty confronting U.S. banks in obtaining authorization to establish operations abroad depends upon the official and unofficial requirements in the country concerned. Few countries legally require a specific form of organization under which foreign banks may operate within their borders, but a considerable number enjoy their discretionary prerogatives to exclude effectively one or more structures. As was mentioned previously, Brazil has practically shut the door on direct branches, as have Venezuela and Japan. In the United Kingdom, Germany, France, Belgium, the Netherlands, and Switzerland, on the other hand, branch offices appear to be no more difficult to establish than any other form of organization. Some U.S. banks with extensive overseas operations prefer to establish direct branches because they believe this method has advantages of control, implementation of policy, profitability, and simplification of the decisionmaking process. Other banks, feeling the affiliate route has real advantages, strongly prefer the latter. Thus, in some respects, U.S. banks find their choices limited, and at times their incentive to go into specific countries may be determined by restrictions on the form of organization they are required to employ.

In many countries, although the establishment of a direct branch is not prohibited, there is a limitation either officially or unofficially placed on the number of banking licenses that can be issued. In such cases, it becomes necessary to purchase an existing bank, or possibly a dormant banking license with a subsequent conversion to a direct branch. Although the purchase of an existing bank may not be required, there may be instances where this would be desirable. The reasons may be the opportunity to obtain premises and staff, as well as an existing clientele.

In many countries where it is not possible to establish a direct branch or to convert an existing bank into a direct branch, it may still be possible to purchase an existing bank outright and to continue to operate such a bank under its existing name. Some banks believe such an operation is less desirable than a direct branch because of difficulty in identifying such banks with the overall organization of the parent bank. There are often instances, however, where the continuation of the previous name of an acquired bank may be desirable, and this would be applicable in those cases where the bank acquired has an exceedingly good name, has historical importance, or where the continuation of the name would be politically desirable.

In those countries where direct branches or the outright purchase of local banks is not permitted, the only avenue of operation is a minority participation in indigenous banks. There may also be instances in which a minority participation may be the most desirable regardless of whether or not there are restrictions on other types of operations.

European countries generally have no restrictions on the degree of foreign participation in a domestic bank, except where foreign owner-