

ship of banking facilities is restricted or prohibited by law, as in Spain and Sweden. While the same tends to hold legally true for most Latin American countries, there appears to be greater resistance to a foreign majority interest than in the case of Europe. Discretionary objections to foreign ownership can also be found in various Asiatic countries. On the whole, however, the difficulties encountered in locating attractive participation opportunities in underdeveloped countries are considerably greater than the problems associated with obtaining official approval to invest in foreign banks. The same holds true for restrictions on directorships: the smaller the participation and the fewer the number of directors, the greater the possibility of having one's application to invest approved.

A minority investment operation may be desirable in many developing countries and, in particular, in recently independent countries that were formerly colonial territories. By participating with local interests it is possible, to a major extent, to overcome inherent fears of economic domination by developed countries, whether it be real or imaginary.

It may also be possible to establish an operation through participation with major banks of other developed countries and, by so doing, present the posture of an international bank which is not controlled by banking interests of any single country. Such an approach has the additional advantage of having as partners major foreign banks that are experienced in international banking, and which can provide staff and other support which is not available from local banks.

Major banks of the former colonial powers have been particularly receptive to this approach. In these cases, the vestiges of colonial resentment have been offset by assuming the posture of an international bank which is not dominated by any single banking institution. For a U.S. bank such an arrangement often has the additional advantage of having an existing network of branches which have been established by the predecessor bank.

LICENSING AGENCIES

It is not possible to generalize with respect to the local authorities which must grant approval for a U.S. bank to establish operations. No two countries are exactly the same with respect to the necessary procedure which must be undertaken to obtain approval.

These procedures run the full gamut from those countries such as the United Kingdom, where no formal approval is required to establish a branch, to those countries where any type of an operation is prohibited by law, such as in Sweden, or through administrative discretion, as in the case of Australia. In a number of states the chief of state or his cabinet may have to give permission for a foreign bank to open. Occasionally, the decision must be made by the legislative branch of the government.

By far the most common licensing authority are the central banks, but there is a wide variety of procedures through which the various central banks must go in order to grant authorization to a foreign bank for the establishment of a banking operation. For example, the central bank may have the sole authority to grant licenses, but before doing so it must obtain the concurrence of other ministries, such as ministries of treasury, commerce, foreign office, bankers associations,