

and chambers of commerce. Such concurrence may be required under law or be merely traditional or customary.

Normally, licensing by central banks is the most advantageous from the standpoint of U.S. banks. Central banks, because of their customary responsibility for monetary policy, economic development, as well as international monetary and balance-of-payments responsibilities, are in the best position to judge the advantages of the entrance of U.S. banks into the local economy.

In many countries authorization for a foreign bank to operate is given to a banking commission and, once again, such authority may be with or without the concurrence of other governmental or business entities. The key factor in such situations is the composition of a banking commission. In certain countries such commissions may be composed entirely of governmental and central bank representatives, while at the other extreme, certain commissions are composed entirely of representatives of the local bank community. More commonly, such banking commissions have a mixed government and banking composition.

Although the approval of such a banking commission may be more difficult, depending largely upon the representation of local bankers who can be expected to act in their own best self-interest, it may still be more desirable from the standpoint of U.S. banks. Approval by a commission which has both governmental and private representation will have a broader endorsement for the establishment of an operation and, therefore, should create a more advantageous initial climate.

As indicated previously, the actual licensing authority very often must obtain the concurrence of other authorities which may be on a more or less informal basis. In many instances, however, more than one authority must formally approve the request of U.S. banks or commissions to initiate a banking operation. For example, a central bank may have to recommend formally the granting of a license to the authority which ultimately grants the license, which in turn may have to obtain formal recommendations from other interested groups.

In such situations, in which multiple authorizations are required, additional burdens are placed on the petitioning bank because it subjects them to justifying their request to the various interests, each of which may consider the application in a different context.

A final variation of multiple authorizations is the situation where even after having obtained a license to establish a banking operation it is still necessary to obtain formal registration to do business in the country concerned.

If entry is approved, the majority of countries grant licenses for an indefinite period. Several, however, restrict the license term: India, Pakistan, and Hong Kong require annual renewals; Canada, every 10 years;⁴ and Italy grants a maximum term of 99 years. In nearly all countries the banking authorities have a right of revocation, of course.

CAPITAL REQUIREMENTS

A substantial number of countries have specific requirements on the amount of capital for the establishment of a new banking operation. For the most part these are similar for both foreign and domestic banks. Very often capital requirements are specified in terms of a

⁴ Ten-year renewals apply to all Canadian banks, not just foreign-owned banks.