

DIRECTORSHIPS AND EMPLOYEES

In many countries, and particularly in developing countries where nationalistic tendencies are strong, but also in the countries where foreign financial influence is resisted, a U.S. bank may be required to appoint a minimum number of local directors. As such directors would be expected to act under instructions from their sponsors or sponsoring groups, such a requirement may in some cases constitute a severe limitation on the freedom of action of the U.S. bank. In other situations, however, local directors may be desirable from a public relations and business development standpoint. Once again, generalization is not possible and whether or not the requirement of local directors constitutes a real restriction would depend on the local situation of the country concerned.

Few countries have legal requirements concerning the hiring of indigenous personnel by foreign banks; included in this small group are, among others, Brazil (restrictions on salary payments to foreigners); Dominican Republic (80 percent of personnel must be indigenous); Mexico (indigenous personnel only, unless not available); Venezuela (75 percent of officers and staff must be indigenous); Switzerland (one of the managers must be Swiss); and Lebanon (staff must be Lebanese, but exceptions are granted). The absence of legal requirements is no indication that foreign banks are free to staff their operations as they see fit. In the vast majority of countries, informal pressure of varying degrees is exerted by the monetary authorities on foreign banks to employ as large a proportion of domestic personnel as is practically possible. Noncompliance with such requests may safely be expected to result in some form of discrimination in the treatment of the foreign banks.

CONDITIONAL ARRANGEMENTS

Foreign banks are permitted to own only a certain maximum percentage of the ownership of local banks in several countries. As this normally constitutes less than a controlling interest, it would discourage a U.S. banking operation unless, as indicated previously in this report, a minority participation is desirable for political or other reasons.

Although no instances are known in which participation in a development bank in the country concerned is a condition for establishing a banking operation, such a participation is apparently expected. This situation exists primarily in developing countries where every effort is made to obtain development capital from foreign enterprises seeking to conduct business. In at least one case, World Bank bonds are required.

A similar situation exists with respect to the purchase of government securities of the host country, and although this may not be a requirement for issuance of a banking license, it may be prescribed for the investment of required capital.

BRANCHING RESTRICTIONS

Expansion of U.S. banks into particular countries is sometimes hindered by host country restrictions on branching. This is particularly so where there are a number of important cities to be covered