tion, however, is largely unintentional. Deliberate discrimination against foreign banks is normally effected at entry.

Even though methods of government control vary widely from country to country, they tend to fall into certain broad categories, differing in approach and emphasis rather than in type. The following discussion outlines the most commonly used techniques by foreign governments and official agencies in regulating banking.

DEPOSIT RESTRICTIONS

One of the methods whereby foreign countries delimit the ability of American banks to operate is in their regulation of the type of deposits the latter are permitted to accept. This type of restriction is not widespread though it is significant enough to mention. Frequently, the restrictions are applied to new deposits as contrasted with existing deposits, and may apply to the origin, such as a limitation on the deposits of resident nationals of the host country.

Perhaps the most easily understandable limitations on deposits are those that may limit inflows of funds from abroad because of desire to prevent interference with domestic monetary policy. Thus, Switzerland imposes a limitation upon foreign funds to be employed in Switzerland. Similarly, Germany has imposed interest rate limitations on foreign deposits. The Netherlands limits deposits from nonresidents in foreign currencies to an amount not greater than 5 million guilders in excess of loans in each foreign currency. These provisions are usually applied to both domestic and foreign banks though they may actually be more burdensome upon foreign banks by the nature of their business.

There is a second class of deposit restrictions that is more deliberately discriminatory toward American banks attempting to do business in foreign countries. A number of countries do not allow foreign banks to accept savings deposits, apparently feeling that the function of foreign banks in facilitating trade is sufficiently served by their role in offering demand deposit services alone. Back of this, of course, is the view that the savings of the foreign country will be best channeled into long-term domestic investment through indigenous banking institutions. Partly, of course, foreign countries may fear that the attractiveness of deposit services offered by large U.S. banks could prove to be a competitive problem to their own institutions. Mexico, Peru, Brazil, Chile, Ecuador, and El Salvador, among other countries, fall in this category.

The restrictions on savings deposit funds employed by Switzerland are somewhat different. In that country, bearer savings notes provide a substantial part of the total savings media of the country undoubtedly because of the widespread continental penchant for avoiding financial transactions that could be traced by governmental agencies even though the Swiss banking law specifically provides for secrecy except in the case of crimes. By prohibiting foreign banks with offices in Switzerland from issuing these bearer savings notes, this part of the potential Swiss deposit market is effectively cut off. Somewhat akin to the problem of accepting deposits in Switzerland is the case of Pakistan where maximum rates of interest that may be paid on time deposits are observed by foreign banks but not by domestic banks.