under terms set by the banking authorities. India has a similar requirement for placing a substantial part of a foreign corporation's earnings in long-term domestic investments.

CREDIT CEILINGS

A frequent control particularly in times of inflation or balance-of-payment difficulty is the so-called credit ceiling. Under these restrictions banks are required, or encouraged by government persuasion to limit extensions of credit to a specified percentage of the credit extended by the respective banks at some earlier date. Such a program is now in effect in the United Kingdom, for example, and is applicable both to domestic and foreign banks. In the Netherlands, credit ceilings have been so restrictive as to prevent development of local loans by newly established banks. American banks sometimes suspect that their own strict observance of such guidelines in particular countries is not at all times matched by domestic banks, although this criticism is relatively minor.

LOAN RESTRICTIONS

Restrictions may be imposed on certain types of new loans or financing, either in terms of financing of certain classes of borrowers or financing for certain purposes (for example, stock market transactions). In some instances commercial banks, either by reason of long-continued practice or by law, do not engage in types of financing which are customary for commercial banks in the United States. For example, in France, commercial banks do not generally engage in mortgage financing or factoring.

Restrictions specifically directed to foreign banks are not generally a matter of policy in foreign countries. The United Kingdom presents one known exception. Special discount facilities for financing longer-term export transactions covered by the Government Credit Insurance Agency are available to United Kingdom banks only. Because of low interest rates, however, foreign banks do not find this business attractive.

INTEREST RATE LIMITS

Limits on interest rates payable on deposits or collectible upon loans may be imposed by the government or by agreement among banks. The latter are sometimes sanctioned or even enforced by the governments. While in many countries these work satisfactorily with respect to the American banks which are required to observe them, in a few cases there is a feeling that domestic banks may not always observe them.

EXCHANGE CONTROL

Shortage of foreign exchange or a desire to restrict investment abroad may be reflected in exchange control systems. Under such systems, transactions with foreigners or in foreign currencies may require government license. In some instances, transactions in foreign currencies must be effected only through government channels and rationing of available foreign exchange is not unusual. Particularly since World War II, these controls have been extremely widespread throughout Europe and elsewhere. The United Kingdom,