

The euro-currency business of banks in London: maturity analysis as at end-March 1973

This article reports the results of an enquiry into the maturity structure of the foreign currency business of London banks at 31st March 1973 and compares them with those of the previous enquiry relating to 31st October 1972.¹ Details are set out in Table E on page 330. These enquiries have in the past occurred at irregular intervals; it is now intended that they should be made half-yearly — at the end of March and September.

In the period between October 1972 and March 1973 the euro-currency market was dominated by the renewed international currency crisis. There was further sharp growth in U.S. dollar business. In part, this reflected demand to borrow dollars to convert into deutschemarks, Swiss francs and other strong currencies, and this pressure, together with tightening money conditions in the United States, helped to push up euro-dollar rates — from 6% to nearly 9% for three months' money. At the same time, restrictions on the placement of funds by foreigners in the domestic markets of the countries with strong currencies meant that foreign holdings of these currencies had to be left in the euro-currency market, though at rates well below those for euro-dollars.

During the five months, the size of the market in London, measured by total foreign currency liabilities (or claims) of London banks, grew by some £7,000 million, to around £40,000 million. This compares with an increase of some £9,000 million in the previous twelve months. Indeed, allowing for the effects of changes in sterling valuation, the market grew by more in the five months than in the whole of the previous year.

Table A shows that the relative share of the business which was in currencies other than the dollar rose from 20% to 21% of liabilities and from 22% to 24% of claims. The larger rise in claims occurred because the banks converted some spot dollars into deutschemarks, Swiss francs, and other foreign currencies, and

Table A
Liabilities and claims by currency

£ millions: *percentage of total in italics*

	1972 October		1973 March	
Foreign currency liabilities of U.K. banks in				
U.S. dollars	26,960	<i>80</i>	31,950	<i>79</i>
Other foreign currencies	<u>6,830</u>	<u><i>20</i></u>	<u>8,630</u>	<u><i>21</i></u>
Total	<u>33,790</u>	<u><i>100</i></u>	<u>40,580</u>	<u><i>100</i></u>
Foreign currency claims of U.K. banks in				
U.S. dollars	26,410	<i>78</i>	30,820	<i>76</i>
Other foreign currencies	<u>7,410</u>	<u><i>22</i></u>	<u>9,870</u>	<u><i>24</i></u>
Total	<u>33,820</u>	<u><i>100</i></u>	<u>40,690</u>	<u><i>100</i></u>
Net spot position (net liabilities —)				
U.S. dollars	—	550	—	1,130
Other foreign currencies	<u>+ 580</u>		<u>+ 1,240</u>	
Net position	<u>+ 30</u>		<u>+ 110</u>	

¹ An article giving the results of the October 1972 enquiry and commenting on the main changes since the previous one in October 1971 appeared in the March 1973 *Bulletin*, page 44.

lent these currencies to those attracted by the relatively low interest rates obtainable on such loans. At the same time the banks would have entered into forward contracts to resell these other currencies and repurchase dollars.

The changes that have occurred in the main categories of borrowing and lending in the period under review are illustrated in Table B. It shows that there was an increase of the order of £2,500 million in inter-bank liabilities and claims in London. Such transactions may occur because of adjustment in the spread of maturities, or because banks wish to limit the amount of funds they themselves place directly with particular banks or countries overseas, or because of specialisation, either geographical or functional, on the part of some banks. Similar reasons will have assisted the growth of some £2,500 million in business with overseas commercial banks. Other sources of funds coming into the London market were deposits by overseas central banks, which increased by about £1,000 million, and deposits other than by banks, which increased by about £650 million. As regards lending to customers other than banks, much of the extra £500 million lent at home was to finance fairly long-term investment, both here and overseas; on the other hand, it is evident that a good deal of the rise of about £1,200 million in lending overseas was of a comparatively short-term nature.

Table B
Liabilities and claims by customer
£ millions

	Amounts outstanding		Change over period
	1972 October	1973 March	
Foreign currency liabilities of U.K. banks to			
Other U.K. banks(a)	9,070	11,770	+2,700
Other U.K. residents	860	1,160	+ 300
Overseas central banks	4,100	5,090	+ 990
Other banks overseas	15,230	17,690	+2,460
Other non-residents	4,530	4,870	+ 340
Total	33,790	40,580	+6,790
Foreign currency claims of U.K. banks on			
Other U.K. banks(a)	9,430	11,900	+2,470
Other U.K. residents	2,100	2,620	+ 520
Banks overseas	15,290	17,990	+2,700
Other non-residents	7,000	8,180	+1,180
Total	33,820	40,690	+6,870

(a) Liabilities to banks in the United Kingdom and claims on them should be the same. The figures, as reported, differ. There will be compensating differences in the other components of total liabilities and claims.

The maturity structure of the assets and liabilities of the banks as at the end of October 1972 and March 1973 is set out in Table C. Not surprisingly in a period of upheaval and uncertainty in world currency markets there was a tendency for the proportion of short-term business to increase at the expense of the longer-term. Thus the percentages of liabilities and of claims at terms of less than eight days were 21% and 18% respectively in March, compared with 18% and 14% in October. Similarly,

whereas the proportion of liabilities at terms of one year or more remained constant at 6%, the proportion of assets at corresponding terms declined from 15% to 13%. Even the consortium banks, whose lending tends to be preponderantly longer-term, reduced the proportion of their longer-term lending.⁷

Table C
Maturity structure of liabilities and claims

£ millions: *percentage of total in italics*

	1972 October		1973 March	
Foreign currency liabilities of U.K. banks				
Sight	3,770	<i>11</i>	5,790	<i>14</i>
Less than 8 days	2,240	<i>7</i>	2,820	<i>7</i>
8 days to less than 3 months	16,670	<i>49</i>	17,760	<i>44</i>
3 months to less than 1 year	9,270	<i>27</i>	11,820	<i>29</i>
1 year and over	1,840	<i>6</i>	2,390	<i>6</i>
Total	33,790	100	40,580	100
Foreign currency claims of U.K. banks				
Sight	3,140	<i>9</i>	4,850	<i>12</i>
Less than 8 days	1,860	<i>5</i>	2,280	<i>6</i>
8 days to less than 3 months	14,900	<i>44</i>	16,910	<i>41</i>
3 months to less than 1 year	9,100	<i>27</i>	11,500	<i>28</i>
1 year and over	4,820	<i>15</i>	5,150	<i>13</i>
Total	33,820	100	40,690	100

The net positions in each category at the two dates are shown in Table D. The excess of liabilities over claims at terms of less than eight days remained at 3% of the banks' combined foreign currency balance sheets. In absolute terms, the excess increased to £1,400 million in March, from £1,000 million in October. The American banks were responsible for most of the rise. At terms of eight days to three months, net borrowing declined both relatively and absolutely, as did net lending at terms of one year and over.

Table D
Maturity structure of net position

£ millions: *percentage of total liabilities or claims at all maturities in italics*
(Net liabilities -)

	1972 October		1973 March	
Sight	- 630	<i>-2</i>	- 940	<i>-2</i>
Less than 8 days	- 380	<i>-1</i>	- 540	<i>-1</i>
8 days to less than 3 months	-1,770	<i>-5</i>	- 850	<i>-2</i>
3 months to less than 1 year	- 170	<i>-1</i>	- 320	<i>-1</i>
1 year and over	+2,980	<i>+9</i>	+2,760	<i>+6</i>
Net position	+ 30		+ 110	

⁷ As at the end of March 1973, the banks included under the heading of "Consortium banks" in Table E were as follows:

Allied Bank International
Associated Japanese Bank (International) Ltd.
Atlantic International Bank Ltd.
Julius Baer International Ltd.
Bank of America Ltd.
Banque de Suez (U.K.) Ltd.
Brown Harriman and International Banks Ltd.
Burston and Texas Commerce Bank Ltd.
European Brazilian Bank Ltd.
Italian International Bank Ltd.
International Commercial Bank Ltd.
International Marine Banking Co. Ltd.
Japan International Bank Ltd.
London Interstate Bank Ltd.
London Multinational Bank Ltd.
Manufacturers Hanover Ltd.
Merrill Lynch-Brown Shipley Bank Ltd.
Midland and International Banks Ltd.
Nordic Bank Ltd.
Orion Bank Ltd.
Orion Termbank Ltd.
Rothschild Intercontinental Bank Ltd.
Scandinavian Bank Ltd.
UBAF Ltd.
United Bank of Kuwait Ltd.
United International Bank Ltd.
Western American Bank (Europe) Ltd.

Table E

Maturity analysis of liabilities and claims in non-sterling currencies of banks in the United Kingdom: March 1973

£ millions

	Liabilities								Total	
	Sight	Less than 8 days	8 days to less than 1 month	1 month to less than 3 months	3 months to less than 6 months	6 months to less than 1 year	1 year to less than 3 years	3 years and over	1973 March	1972 October
Liabilities to										
Other U.K. banks:										
British banks	271	199	497	764	742	356	152	91	3,072	2,411
Commonwealth banks	32	40	106	255	169	69	25	33	729	542
American banks	684	351	862	1,200	965	447	133	42	4,684	3,496
Other foreign banks	153	134	499	542	372	105	64	30	1,899	1,605
Consortium banks	123	114	267	390	363	89	27	14	1,387	1,017
	1,263	838	2,231	3,151	2,611	1,066	401	210	11,771	9,071
Other U.K. residents:										
British banks	227	46	60	43	42	22	37	46	523	392
Commonwealth banks	15	14	8	22	13	2	3	—	77	35
American banks	188	69	104	63	25	24	11	7	491	348
Other foreign banks	9	4	5	10	5	4	3	3	43	49
Consortium banks	3	2	9	9	7	1	—	1	32	32
	442	135	186	147	92	53	54	57	1,166	856
Banks abroad:										
British banks	502	320	895	1,308	1,283	589	243	180	5,320	4,962
Commonwealth banks	85	42	131	197	173	74	35	32	769	659
American banks	1,626	739	1,884	2,678	2,210	899	246	152	10,434	8,758
Other foreign banks	896	386	774	1,129	785	209	73	188	4,440	3,384
Consortium banks	180	92	324	569	389	142	48	69	1,813	1,564
	3,289	1,579	4,008	5,881	4,840	1,913	645	621	22,776	19,327
Other non-residents:										
British banks	247	58	239	261	179	97	48	147	1,276	1,155
Commonwealth banks	65	38	155	271	186	22	10	3	750	784
American banks	324	134	416	514	336	226	56	31	2,037	1,972
Other foreign banks	138	30	115	126	85	71	20	48	633	452
Consortium banks	22	6	28	35	27	15	13	30	176	171
	796	266	953	1,207	813	431	147	259	4,872	4,534
Total										
British banks	1,247	623	1,691	2,376	2,246	1,064	480	464	10,191	8,920
Commonwealth banks	197	134	400	745	541	167	73	68	2,325	2,020
American banks	2,822	1,293	3,266	4,455	3,536	1,596	446	232	17,646	14,574
Other foreign banks	1,196	554	1,393	1,807	1,247	389	160	269	7,015	5,490
Consortium banks	328	214	628	1,003	786	247	88	114	3,408	2,784
	5,790	2,818	7,378	10,386	8,356	3,463	1,247	1,147	40,585	33,788

— nil or less than £½ million.

Claims^(a)

Sight ^(a)									Total		
	Less than 8 days	8 days to less than 1 month	1 month to less than 3 months	3 months to less than 6 months	6 months to less than 1 year	1 year to less than 3 years	3 years and over	1973 March	1972 October		
334	<i>785</i>	228	480	713	652	314	154	81	2,956	2,503	Claims on Other U.K. banks: British banks Commonwealth banks American banks Other foreign banks Consortium banks
58	<i>146</i>	50	138	283	209	54	27	9	828	625	
500	<i>800</i>	334	1,022	1,452	1,271	466	92	41	5,178	4,008	
230	<i>352</i>	175	409	570	469	115	45	40	2,053	1,526	
137	<i>348</i>	51	173	229	148	106	26	18	888	766	
1,259	<i>2,431</i>	838	2,222	3,247	2,749	1,055	344	189	11,903	9,428	
70		39	125	261	243	192	159	244	1,333	1,023	Other U.K. residents: British banks Commonwealth banks American banks Other foreign banks Consortium banks
16		12	28	65	52	34	29	9	245	222	
25		15	114	105	101	57	81	176	674	579	
12		5	25	48	43	48	6	31	218	137	
6		1	6	12	15	10	35	68	153	137	
129		72	298	491	454	341	310	528	2,623	2,098	
477		260	660	870	763	339	197	102	3,668	3,485	Banks abroad: British banks Commonwealth banks American banks Other foreign banks Consortium banks
240		37	127	211	147	50	12	34	858	823	
1,426		441	1,821	2,136	1,643	740	290	145	8,642	7,074	
620		404	856	830	514	251	83	218	3,776	3,159	
167		67	204	272	153	65	47	66	1,041	750	
2,930		1,209	3,668	4,319	3,220	1,445	629	565	17,985	15,291	
242		43	255	450	427	238	315	318	2,288	1,940	Other non-residents: British banks Commonwealth banks American banks Other foreign banks Consortium banks
8		18	57	138	124	24	9	21	399	354	
179		60	499	720	720	235	286	442	3,141	2,877	
68		21	106	224	191	47	59	250	966	667	
37		19	87	131	123	104	376	512	1,389	1,165	
534		161	1,004	1,663	1,585	648	1,045	1,543	8,183	7,003	
1,123	<i>1,591</i>	570	1,520	2,294	2,085	1,083	825	745	10,245	8,962	Total British banks Commonwealth banks American banks Other foreign banks Consortium banks
322	<i>410</i>	117	350	697	532	162	77	73	2,330	2,024	
2,130	<i>2,433</i>	850	3,456	4,413	3,735	1,498	749	804	17,635	14,537	
930	<i>1,098</i>	605	1,396	1,672	1,217	461	193	539	7,013	5,489	
347	<i>492</i>	138	470	644	439	285	484	664	3,471	2,808	
4,852	<i>6,024</i>	2,280	7,192	9,720	8,008	3,489	2,328	2,825	40,694	33,820	

(a) Banks' holdings of London dollar certificates of deposit have been included according to maturity date. The alternative figures in italics in the sight column show the effect of treating all such holdings of certificates of deposit as sight assets.

Table E *continued*

Maturity analysis of liabilities and claims in non-sterling currencies of banks in the United Kingdom: March 1973

£ millions

	Net liabilities (-)/claims (+) ^(a)									Total	
	Sight ^(a)	Less than 8 days	8 days to less than 1 month	1 month to less than 3 months	3 months to less than 6 months	6 months to less than 1 year	1 year to less than 3 years	3 years and over	1973 March	1972 October	
Net liabilities to/claims on											
Other U.K. banks:											
British banks	+ 63	+ 514	+ 29	- 17	- 51	- 90	- 42	+ 2	- 10	- 116	+ 92
Commonwealth banks	+ 26	+ 114	+ 10	+ 32	+ 28	+ 40	- 15	+ 2	- 24	+ 99	+ 83
American banks	-184	+ 116	- 17	+160	+ 252	+ 306	+ 19	- 41	- 1	+ 494	+ 512
Other foreign banks	+ 77	+ 119	+ 41	- 90	+ 28	+ 97	+ 10	- 19	+ 10	+ 154	- 79
Consortium banks	+ 14	+ 225	- 63	- 94	- 161	- 215	+ 17	- 1	+ 4	- 499	- 251
	- 4	+1,168	-	- 9	+ 96	+ 138	- 11	- 57	- 21	+ 132	+ 357
Other U.K. residents:											
British banks	-157	- 7	+ 65	+ 218	+ 201	+170	+ 122	+ 198		+ 810	+ 631
Commonwealth banks	+ 1	- 2	+ 20	+ 43	+ 39	+ 32	+ 26	+ 9		+ 168	+ 187
American banks	-163	- 54	+ 10	+ 42	+ 76	+ 33	+ 70	+ 169		+ 183	+ 231
Other foreign banks	+ 3	-	+ 20	+ 38	+ 38	+ 44	+ 3	+ 28		+ 174	+ 88
Consortium banks	+ 3	-	- 3	+ 3	+ 8	+ 9	+ 35	+ 67		+ 122	+ 105
	-313	- 63	+112	+ 344	+ 362	+288	+ 256	+ 471		+1,457	+1,242
Banks abroad:											
British banks	- 25	- 60	-235	- 438	- 520	-250	- 46	- 78		-1,652	-1,477
Commonwealth banks	+155	- 5	- 4	+ 14	- 26	- 24	- 23	+ 2		+ 89	+ 164
American banks	-200	-298	- 63	- 540	- 567	-159	+ 44	- 7		-1,790	-1,684
Other foreign banks	-276	+ 18	+ 82	- 299	- 271	+ 42	+ 10	+ 30		- 664	- 225
Consortium banks	- 13	- 25	-120	- 299	- 236	- 77	- 1	- 3		- 774	- 814
	-359	-370	-340	-1,562	-1,620	-468	- 16	- 56		-4,791	-4,036
Other non-residents:											
British banks	- 5	- 15	+ 16	+ 189	+ 248	+141	+ 267	+ 171		+1,012	+ 785
Commonwealth banks	- 57	- 20	- 98	- 133	- 62	+ 2	- 1	+ 18		- 351	- 430
American banks	-145	- 74	+ 83	+ 206	+ 384	+ 9	+ 230	+ 411		+1,104	+ 905
Other foreign banks	- 70	- 9	- 9	+ 98	+ 106	- 24	+ 39	+ 202		+ 333	+ 215
Consortium banks	+ 15	+ 13	+ 59	+ 96	+ 96	+ 89	+ 363	+ 482		+1,213	+ 994
	-262	-105	+ 51	+ 456	+ 772	+217	+ 898	+1,284		+3,311	+2,469
Total											
British banks	-124	+327	- 53	-171	- 82	- 161	+ 19	+ 345	+ 281	+ 54	+ 31
Commonwealth banks	+125	+213	- 17	- 50	- 48	- 9	- 5	+ 4	+ 5	+ 5	+ 4
American banks	-692	-392	-443	+190	- 40	+ 199	- 98	+ 303	+ 572	- 9	- 36
Other foreign banks	-266	-144	+ 50	+ 3	- 135	- 30	+ 72	+ 33	+ 270	- 3	- 1
Consortium banks	+ 19	+230	- 75	-158	- 361	- 347	+ 38	+ 396	+ 550	+ 62	+ 34
	-938	+234	-538	-186	- 666	- 348	+ 26	+1,081	+1,678	+ 109	+ 32

- nil or less than £½ million.

(a) Banks' holdings of London dollar certificates of deposit have been included according to maturity date. The alternative figures in italics in the sight column show the effect of treating all such holdings of certificates of deposit as sight assets.