

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

This article reports the results of the latest half-yearly enquiry into the euro-currency maturity position of London banks. Full details are set out in Table E.

Between March and September 1973 the euro-currency market was still affected by international currency disturbances, particularly around the middle of the period when the deutschemark was revalued. For most of the time the US dollar was weak in terms of the main continental currencies. Interest rates rose strongly in Europe as countries generally attempted to tighten monetary policy and contain inflationary pressures. In the United States interest rates also rose rapidly until towards the end of the period. Euro-dollar rates followed a similar pattern, the three months' rate rising from a little over 8½% at the beginning of April to a peak of over 11½% in August, before easing during the second half of September to close at about 10½%.

The supply of funds to the market continued to be very plentiful, and competition among the banks to lend exceedingly keen. There was a further sharp growth in US dollar business, which, in part, reflected demand to borrow dollars to switch into deutschemarks, Swiss francs, and other continental currencies. Owing to restrictions on foreign inflows, foreign holdings of the currencies of continental countries tended to be put into the euro-currency market, though at rates of interest well below those for euro-dollars. The relative importance of these continental currencies in euro-currency operations continued to increase. At the end of September 1973 they accounted for about 25% of London's business.

During the six months the size of the market in London, measured by the total of foreign currency liabilities (or claims) of London banks, rose by over £9,000 million, to nearly £50,000 million. Allowing for the effects of changes in sterling valuation, the increase was nearer to £8,000 million, much the same as in the previous six months.

The changes that occurred in the main categories of borrowing and lending in the period are illustrated in Table A. It shows that there was a further increase of about £2,200 million in the size of the inter-bank market in London, much the same as in the previous six months. There was a much larger increase this time in business with overseas commercial banks, liabilities rising by £5,200 million and claims by £4,200 million. These overseas banks were thus net suppliers of some £1,000 million of

**Table A**  
**Liabilities and claims by customer**

£ millions

	Amounts outstanding		Change over period
	March	September	
<b>Foreign currency liabilities of UK banks to</b>			
Other UK banks[a]	11,770	14,050	+2,280
Other UK residents	1,160	1,380	+ 220
Overseas central banks	5,090	5,340	+ 250
Other banks overseas	17,690	22,920	+5,230
Other non-residents	4,870	5,970	+1,100
<b>Total</b>	<b>40,580</b>	<b>49,660</b>	<b>+9,080</b>
<b>Foreign currency claims of UK banks on</b>			
Other UK banks[a]	11,900	14,090	+2,190
Other UK residents	2,620	3,600	+ 980
Banks overseas	17,990	22,260	+4,270
Other non-residents	8,180	9,820	+1,640
<b>Total</b>	<b>40,690</b>	<b>49,770</b>	<b>+9,080</b>

[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.

funds – in contrast to the previous six months when they were net borrowers on a small scale. Deposits by overseas central banks rose by only £250 million, compared with about £1,000 million in the previous period. The supply of funds from customers other than banks was up by as much as £1,300 million, compared with about £950 million, while lending to this group rose by £2,600 million, compared with £2,150 million. Therefore, as in the previous period, such customers were large net borrowers. Of the additional £980 million lent at home, some two thirds represented participations by London banks in loans to UK public authorities. About £280 million of the £1,640 million of new lending to overseas customers other than banks was at longer term (over one year to run).

Table B shows that the British banks maintained their 25% share of the business, while the American banks lost ground, relatively, to the other foreign banks. The American banks' share declined from 44% to 40% during the period, while that of the Japanese and other foreign banks rose from 17% to 21%.

**Table B**  
**Liabilities by group of banks**

£ millions: *percentage of total in italics*

	1973			
	March		September	
British banks	10,190	<i>25</i>	12,570	<i>25</i>
Commonwealth banks	2,320	<i>6</i>	2,700	<i>6</i>
American banks	17,640	<i>44</i>	19,550	<i>40</i>
Japanese banks	2,930	<i>7</i>	4,200	<i>8</i>
Other foreign banks	4,090	<i>10</i>	6,650	<i>13</i>
Consortium banks	3,410	<i>8</i>	3,990	<i>8</i>
<b>Total</b>	<b>40,580</b>	<b><i>100</i></b>	<b>49,660</b>	<b><i>100</i></b>

The maturity structure of the liabilities and claims of the banks at the two dates is set out in Table C. Compared with March there was a reduction in September in the proportions of liabilities and claims at very

**Table C**  
**Maturity structure of liabilities and claims**

£ millions: *percentage of total in italics*

	1973			
	March		September	
<b>Foreign currency liabilities of UK banks</b>				
Less than 8 days	8,610	<i>21</i>	9,470	<i>18</i>
8 days to less than 3 months	17,760	<i>44</i>	22,640	<i>46</i>
3 months to less than 1 year	11,820	<i>29</i>	14,770	<i>30</i>
1 year and over	2,390	<i>6</i>	2,780	<i>6</i>
<b>Total</b>	<b>40,580</b>	<b><i>100</i></b>	<b>49,660</b>	<b><i>100</i></b>
<b>Foreign currency claims of UK banks</b>				
Less than 8 days	7,130	<i>18</i>	7,400	<i>15</i>
8 days to less than 3 months	16,910	<i>42</i>	21,670	<i>44</i>
3 months to less than 1 year	11,500	<i>28</i>	14,450	<i>29</i>
1 year and over	5,150	<i>12</i>	6,250	<i>12</i>
<b>Total</b>	<b>40,690</b>	<b><i>100</i></b>	<b>49,770</b>	<b><i>100</i></b>

short term (less than eight days), from 21% to 18% in the case of liabilities and from 18% to 15% in the case of claims. This reversed the trend of the previous period. The proportions of liabilities and claims of one year and over remained constant, at 6% and 12% respectively. It was the intermediate maturities which showed relative growth, in particular the '8 days to less than 3 months' category.

As shown in Table D, the maturity pattern of the net position, in percentage terms, was unchanged over the period. Banks' net liabilities at 'less than 8 days' remained at about 3% of total liabilities (or claims). Their cumulative position for all maturities of less than one year still showed net liabilities equivalent to about 6% of the total, matched by net claims at terms of one year and over of a similar proportion.

Looking at the absolute figures in Table D, rather than the percentages, the net liability position at less than eight days increased by £590 million,

**Table D**

**Maturity structure of net position**

£ millions: *percentage of total liabilities or claims at all maturities in italics*

Net liabilities –	1973			
	March	<i>1</i>	September	<i></i>
Less than 8 days	-1,480	<i>-3</i>	-2,070	<i>-3</i>
8 days to less than 3 months	- 850	<i>-2</i>	- 970	<i>-2</i>
3 months to less than 1 year	- 320	<i>-1</i>	- 320	<i>-1</i>
	-2,650	<i>-6</i>	-3,360	<i>-6</i>
1 year and over	+2,760	<i>+6</i>	+3,470	<i>+6</i>
<b>Net position</b>	<b>+ 110</b>		<b>+ 110</b>	

to £2,070 million. The American banks' contribution to this increase was £320 million, bringing their total net liability position at less than eight days to £1,460 million. This is a reflection of the dominant part that the American banks play in the very short-term market, with, of course, the backing of their head offices. At the longer end, the net asset position of the market as a whole at one year and over rose by £710 million, to £3,470 million. The Japanese banks accounted for £320 million of this increase, reflecting their recent activity in the longer-term market. Net lending at longer term by the British banks also increased considerably, rising by £210 million, to £840 million. At the same time their net liabilities at very short term rose by £80 million to £260 million. However, if their holdings of London dollar certificates of deposit were included, this net position became one of net assets of £210 million; they had also arranged £190 million of standby credits with banks abroad. Although the growth of £90 million in net lending at longer term by the Consortium banks during the period was comparatively modest, their net asset position at longer term of £1,040 million was still larger than that of any of the other groups. Their net liability position at less than eight days increased by £120 million, to £180 million. But if their holdings of dollar certificates of deposit were included, their net position became one of net assets of £60 million. As well, they had £180 million of standby credits available from banks abroad.

Table E

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

£ millions

	Liabilities							Total 1973	
	Less than 8 days including sight	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	September	March
<b>Net liabilities to</b>									
Other UK banks:									
British banks	469	658	933	904	398	133	115	3,610	3,072
Commonwealth banks	72	133	226	218	96	26	27	798	729
American banks	1,130	980	1,176	1,088	533	122	67	5,096	4,684
Japanese banks	157	418	456	328	66	32	32	1,489	931
Other foreign banks	301	297	294	377	171	27	28	1,495	968
Consortium banks	240	270	466	411	123	31	17	1,558	1,387
	2,369	2,756	3,551	3,326	1,387	371	286	14,046	11,771
Other UK residents:									
British banks	354	95	99	54	48	13	71	734	523
Commonwealth banks	66	9	15	9	4	2	4	109	77
American banks	245	47	91	30	18	12	12	455	491
Japanese banks	1	—	4	—	—	1	2	8	5
Other foreign banks	15	9	8	10	3	2	1	48	38
Consortium banks	9	4	8	4	3	1	—	29	32
	690	164	225	107	76	31	90	1,383	1,166
Banks abroad:									
British banks	822	1,177	1,774	1,628	689	206	228	6,524	5,320
Commonwealth banks	141	172	313	251	100	39	39	1,055	769
American banks	2,401	2,418	3,136	2,182	885	265	248	11,535	10,434
Japanese banks	646	472	753	385	92	67	212	2,627	1,910
Other foreign banks	667	959	1,212	1,033	383	50	48	4,352	2,530
Consortium banks	311	417	611	488	196	41	110	2,174	1,813
	4,988	5,615	7,799	5,967	2,345	668	885	28,267	22,776
Other non-residents:									
British banks	430	336	304	230	167	57	180	1,704	1,276
Commonwealth banks	71	140	234	190	89	5	8	737	750
American banks	626	490	615	406	219	68	41	2,465	2,037
Japanese banks	31	9	21	4	—	3	8	76	81
Other foreign banks	212	100	195	114	80	12	40	753	552
Consortium banks	55	41	42	40	21	19	15	233	176
	1,425	1,116	1,411	984	576	164	292	5,968	4,872
<b>Total</b>									
British banks	2,075	2,266	3,110	2,816	1,302	409	594	12,572	10,191
Commonwealth banks	350	454	788	668	289	72	78	2,699	2,325
American banks	4,402	3,935	5,018	3,706	1,655	467	368	19,551	17,646
Japanese banks	835	899	1,234	717	158	103	254	4,200	2,927
Other foreign banks	1,195	1,365	1,709	1,534	637	91	117	6,648	4,088
Consortium banks	615	732	1,127	943	343	92	142	3,994	3,408
	9,472	9,651	12,986	10,384	4,384	1,234	1,533	49,664	40,585

— nil or less than £½ million.

Table E continued

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

£ millions

	Claims[a]								Total 1973	
	Less than 8 days including sight[a]	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	September	March	
<b>Claims on</b>										
<b>Other UK banks:</b>										
British banks	611	<i>1,076</i>	767	898	901	375	129	3,816	2,956	
Commonwealth banks	91	<i>229</i>	163	271	277	107	8	947	828	
American banks	990	<i>1,221</i>	1,012	1,379	1,233	599	136	5,386	5,178	
Japanese banks	109	<i>119</i>	76	143	73	12	3	443	455	
Other foreign banks	461	<i>560</i>	473	626	687	186	48	2,518	1,598	
Consortium banks	164	<i>398</i>	241	235	226	77	19	979	888	
	2,426	<i>3,603</i>	2,732	3,552	3,397	1,356	257	14,089	11,903	
<b>Other UK residents:</b>										
British banks	115		220	363	319	124	277	1,615	1,333	
Commonwealth banks	22		51	112	107	18	12	341	245	
American banks	46		128	163	179	94	309	991	674	
Japanese banks	9		26	59	62	3	90	250	130	
Other foreign banks	10		14	55	47	8	20	164	88	
Consortium banks	11		8	20	29	24	90	237	153	
	213		447	772	743	271	798	3,598	2,623	
<b>Banks abroad:</b>										
British banks	706		886	1,071	982	456	145	4,471	3,668	
Commonwealth banks	140		159	299	223	108	43	993	858	
American banks	1,540		2,235	2,471	1,972	835	255	9,558	8,642	
Japanese banks	698		575	756	337	55	294	2,789	1,817	
Other foreign banks	497		687	904	753	303	80	3,284	1,959	
Consortium banks	194		261	284	191	79	102	1,170	1,041	
	3,775		4,803	5,785	4,458	1,836	919	22,265	17,985	
<b>Other non-residents:</b>										
British banks	385		408	520	501	208	403	2,753	2,288	
Commonwealth banks	27		74	155	113	14	17	413	399	
American banks	370		564	1,018	752	212	473	3,589	3,141	
Japanese banks	20		74	127	91	17	351	721	526	
Other foreign banks	113		108	158	136	46	65	674	440	
Consortium banks	70		133	241	182	118	574	1,672	1,389	
	985		1,361	2,219	1,775	615	1,883	9,822	8,183	
<b>Total</b>										
British banks	1,817	<i>2,282</i>	2,281	2,852	2,703	1,163	954	12,655	10,245	
Commonwealth banks	280	<i>418</i>	447	837	720	247	80	2,694	2,330	
American banks	2,946	<i>3,177</i>	3,939	5,031	4,136	1,740	1,074	19,524	17,635	
Japanese banks	836	<i>846</i>	751	1,085	563	87	762	4,203	2,928	
Other foreign banks	1,081	<i>1,180</i>	1,282	1,743	1,623	543	202	6,640	4,085	
Consortium banks	439	<i>673</i>	643	780	628	298	785	4,058	3,471	
	7,399	<i>8,576</i>	9,343	12,328	10,373	4,078	3,857	49,774	40,694	

[a] Banks' holdings of London dollar certificates of deposit have been included according to maturity date. The alternative figures in italics in the first column show the effect of treating all such holdings of certificates of deposit as immediately realisable assets.

## Table E concluded

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

£ millions

	Less than 8 days including sight [a]		Net liabilities (-)/claims (+) [a]					Total 1973		
			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	September	March
<b>Net liabilities to/claims on</b>										
<b>Other UK banks:</b>										
British banks	+ 142	+ 607	+109	- 35	- 3	- 23	+ 2	+ 14	+ 206	- 116
Commonwealth banks	+ 19	+ 157	+ 30	+ 45	+ 59	+ 11	+ 4	- 19	+ 149	+ 99
American banks	- 140	+ 91	+ 32	+ 203	+ 145	+ 66	+ 14	- 30	+ 290	+ 494
Japanese banks	- 48	- 38	-342	- 313	- 255	- 54	- 29	- 5	-1,046	- 476
Other foreign banks	+ 160	+ 259	+176	+ 332	+ 310	+ 15	+ 21	+ 9	+1,023	+ 630
Consortium banks	- 76	+ 158	- 29	- 231	- 185	- 46	- 14	+ 2	- 579	- 499
	+ 57	+1,234	- 24	+ 1	+ 71	- 31	- 2	- 29	+ 43	+ 132
<b>Other UK residents:</b>										
British banks	- 239		+125	+ 264	+ 265	+ 76	+ 184	+ 206	+ 881	+ 810
Commonwealth banks	- 44		+ 42	+ 97	+ 98	+ 14	+ 17	+ 8	+ 232	+ 168
American banks	- 199		+ 81	+ 72	+ 149	+ 76	+ 60	+ 297	+ 536	+ 183
Japanese banks	+ 8		+ 26	+ 55	+ 62	+ 3	-	+ 88	+ 242	+ 125
Other foreign banks	- 5		+ 5	+ 47	+ 37	+ 5	+ 8	+ 19	+ 116	+ 50
Consortium banks	+ 2		+ 4	+ 12	+ 25	+ 21	+ 54	+ 90	+ 208	+ 121
	- 477		+283	+ 547	+ 636	+195	+ 323	+ 708	+2,215	+1,457
<b>Banks abroad:</b>										
British banks	- 116		-291	- 703	- 646	-233	+ 19	- 83	-2,053	-1,652
Commonwealth banks	- 1		- 13	- 14	- 28	+ 8	- 18	+ 4	- 62	+ 89
American banks	- 861		-183	- 665	- 210	- 50	- 15	+ 7	-1,977	-1,790
Japanese banks	+ 52		+103	+ 3	- 48	- 37	+ 7	+ 82	+ 162	- 93
Other foreign banks	- 170		-272	- 308	- 280	- 80	+ 10	+ 32	-1,068	- 571
Consortium banks	- 117		-156	- 327	- 297	-117	+ 18	- 8	-1,004	- 774
	-1,213		-812	-2,014	-1,509	-509	+ 21	+ 34	-6,002	-4,791
<b>Other non-residents:</b>										
British banks	- 45		+ 72	+ 216	+ 271	+ 41	+ 271	+ 223	+1,049	+1,012
Commonwealth banks	- 44		- 66	- 79	- 77	- 75	+ 8	+ 9	- 324	- 351
American banks	- 256		+ 74	+ 403	+ 346	- 7	+ 132	+ 432	+1,124	+1,104
Japanese banks	- 11		+ 65	+ 106	+ 87	+ 17	+ 38	+ 343	+ 645	+ 445
Other foreign banks	- 99		+ 8	- 37	+ 22	- 34	+ 36	+ 25	- 79	- 112
Consortium banks	+ 15		+ 92	+ 199	+ 142	+ 97	+ 335	+ 559	+1,439	+1,213
	- 440		+245	+ 808	+ 791	+ 39	+ 820	+1,591	+3,854	+3,311
<b>Total</b>										
British banks	- 258	+ 207	+ 15	- 258	- 113	-139	+ 476	+ 360	+ 83	+ 54
Commonwealth banks	- 70	+ 68	- 7	+ 49	+ 52	- 42	+ 11	+ 2	- 5	+ 5
American banks	-1,456	-1,225	+ 4	+ 13	+ 430	+ 85	+ 191	+ 706	- 27	- 11
Japanese banks	+ 1	+ 11	-148	- 149	- 154	- 71	+ 16	+ 508	+ 3	+ 1
Other foreign banks	- 114	- 15	- 83	+ 34	+ 89	- 94	+ 75	+ 85	- 8	- 3
Consortium banks	- 176	+ 58	- 89	- 347	- 315	- 45	+ 393	+ 643	+ 64	+ 63
	-2,073	- 896	-308	- 658	- 11	-306	+1,162	+2,304	+ 110	+ 109

- 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 first column show the effect of treating all such holdings of certificates of deposit as immediately realisable assets.