
Developments in international banking and capital markets in 1986

This article⁽¹⁾ continues the annual series on international banking and capital market developments. The article is in four parts: an overview; separate sections on capital markets and international banking developments; and a review of borrowers. There are features on equity issues overseas and on sources of statistics on international borrowing.

- *The pace of innovation and deregulation in the world's financial markets slowed, but new issues on international capital markets continued to expand and banks' international interbank lending increased sharply.*
- *Debt problems persisted among certain developing countries; debtor countries received little new bank lending, either spontaneous or associated with new money packages.*
- *Events during the year illustrated particular kinds of problems that can arise when credit flows are channelled through the securities markets.*
- *International financial markets were heavily influenced by the Japanese as intermediaries, investors and borrowers.*

Overview

International capital flows grew strongly in 1986, but even more than in the past were concentrated among developed countries. The widening US current account deficit and the near-doubling of Japan's surplus stimulated flows between these two countries, but borrowing activity in the international markets was not a simple reflection of current account positions. Borrowers in all developed countries, including those with current account surpluses, made increasingly sophisticated use of international markets to manage their finances.

Long-term interest rates were lower than in recent years, prompting a 60% rise in fixed-rate bond issues, many of which were made in order to refinance outstanding debt more cheaply; early repayments of fixed-rate bonds trebled. Bank lending to borrowers in developed countries rose more strongly than for many years, while the annual total of FRN issues fell for the first time since the development of the market in the 1970s. The opportunities presented by interest rate and currency swaps allowed both markets to double in size. Stock markets around the world performed strongly. As investors increased the international diversification of their portfolios, equities and equity-related bonds became a more important channel for international financial flows.

Banks' increased international lending was dominated by interbank flows, with the major impetus coming from

Japanese banks, which maintained the largest share of international banking business. Japanese firms increased their role as lead managers on international bond issues.

The international financial markets continued to be overshadowed by debt problems in certain developing countries. Banks remained cautious about increasing exposure to most developing countries, while the countries themselves maintained a generally prudent borrowing policy. Bond and FRN issues for developing countries halved and there was virtually no growth in their borrowing from international banks. For the countries with debt servicing difficulties, 1986 was the first year of the initiative put forward in October 1985 by US Treasury Secretary Baker, which offered the prospect of additional financial support for debtors pursuing growth-oriented adjustment policies. During the year, attention was centred on two debtors severely affected by the fall in oil prices, Mexico and Nigeria. In both cases economic programmes were agreed with the IMF. The World Bank substantially increased commitments as part of its support for the initiative. The advisory committees of commercial banks agreed to extend new financing in support of the Mexican and Nigerian packages of up to \$7.7 billion and \$0.3 billion respectively and to make further adjustments to repayment terms. In early 1987, attention focused on the suspension by Brazil of interest payments on medium and long-term debt—a decision taken in response to a serious liquidity shortage. Discussions continue between Brazil and the banks on a

(1) Prepared jointly by the Bank's International Banking Group, Financial Statistics Division, and International Financial Markets Group, International Division.

financing package to restore more normal financial relations.

Over the last fifteen months, new techniques which might help in the eventual restoration of normal creditor/debtor relations continued to evolve. Following the success of the Chilean scheme to convert debt claims into equity, similar schemes were introduced in Mexico, the Philippines and several smaller debtor countries. By the end of 1986 some \$4 billion of debt had been converted under these schemes. Although helpful, it is unlikely that these approaches will make significant inroads into outstanding debt. Other innovative features included the arrangement of two facilities in the Mexico agreement (one with the support of the World Bank), drawings on which are contingent on economic developments. A retiming of interest payments in the Chilean package offered Chile a one-off saving. Further multi-year rescheduling agreements were signed with both commercial and official creditors, which helped to put debt repayments on to a more sustainable footing. Spreads on rescheduled debt and new money loans fell further, while grace periods and repayment maturities continued to lengthen.

Supervisory authorities in a number of countries are playing an active role in encouraging or mandating banks to make provisions for sovereign debt. Only a few countries declare publicly the debtor countries for which such provisions should be made and suggest or require particular levels of provision. Over the past two years the UK clearers have made some transfers from general to specific provisions. US banks are required to set specific provisions against countries with longstanding interest arrears,⁽¹⁾ and most large US banks strengthened their general loan loss reserves by at least 30% during 1986. In Japan, Ministry of Finance guidelines seek provisions equal to 5% of exposure to thirty-six debtor countries, although only 1% is tax deductible. Many continental European banks are well provisioned against lending to major problem debtors, partly reflecting their access to substantial tax relief.

The performance of the banking industry worldwide in 1986 was marked by a steady growth of profits, helped mainly by commissions and earnings from trading in securities and foreign exchange on top of generally satisfactory net interest income. There are indications, however, that the rise in securities-related earnings may be tapering off in some countries. Banks continued to build up their off-balance-sheet business.

In a move that represents a major step forward both on international convergence and on the inclusion of off-balance-sheet business in the measurement of capital adequacy, the Bank of England and the US regulatory authorities announced in January 1987 an agreed proposal for defining primary capital and assessing capital adequacy. Using a risk-weighted approach,

authorities in both countries intend to calculate a ratio of primary capital to total weighted risk assets (including off-balance-sheet items) for each supervised institution. A common primary capital ratio will be set and published as a minimum requirement to apply to all banks in both countries. In addition, the authorities will set a minimum primary capital ratio (unpublished) for each individual institution, which is likely to be significantly higher than the published minimum for the great majority of banks. The Bank will also continue to monitor, for a time, a ratio of total capital to weighted risk assets, while the US authorities will also maintain a gearing ratio in relation to both primary and total capital. The credit risk on off-balance-sheet instruments will first be converted into credit equivalent amounts and then weighted by reference to the same rules as are proposed for balance sheet assets, largely according to the nature of the individual obligor. Within this framework, a further paper has been published by the Bank and the Federal Reserve Board on the proposed treatment of the credit risk on interest rate and foreign exchange rate instruments. The Bank and the US supervisory authorities have invited comments from banks, other supervisors and other interested parties.

The distinction between banks and securities houses became further blurred in 1986. In the United Kingdom, following the changes at The Stock Exchange in October,⁽²⁾ a number of British and foreign banks became market makers in government bonds and equities through subsidiaries. The granting of deposit-taking licences to subsidiaries of two Japanese securities companies enabled them to undertake banking business in London, which they could not do in Tokyo. In the United States, approval for a commercial bank to conduct commercial paper activities through a subsidiary opened the possibility of commercial banks carrying out other securities business through subsidiaries, provided they are not 'principally engaged' in these activities. Looking ahead, the Canadian government has published proposals for restructuring the Canadian financial services industry which would substantially modify the current distinctions between banking, trust, insurance and securities business. The changes would allow banks and other financial institutions to enter the securities markets.

Few new euromarket instruments appeared in 1986. Two that may grow to a significant size in due course are medium-term note programmes (which offer securities continuously like eurocommercial paper programmes but with longer maturities) and asset-backed eurobonds (backed with US mortgages or consumer loans). Many of the other innovations were designed to exploit specific tax or accounting rules which apply to very specialised groups of investors, particularly certain Japanese investors. In most cases swaps were integral to the development of these instruments.

Certain events during 1986 illustrated some of the problems that can arise when credit flows are channelled

(1) Bolivia, Liberia, Nicaragua, Peru, Poland, Sudan and Zaire.

(2) See 'Change in The Stock Exchange and regulation of the City' in the February 1987 *Bulletin*, pages 54-65.

through securities markets. The most striking example was the temporary cessation of trading in perpetual FRNs (FRNs with no maturity date) in December. Investors had been attracted to perpetual FRNs by their relatively high yields (compared with other FRNs) and their liquidity. Competition between lead managers, however, drove spreads downwards and when investor sentiment turned against perpetual FRNs the market was unable to absorb the volume of paper that investors wished to sell. Although the importance of this episode should not be exaggerated, it illustrates the risk that the liquidity of marketable instruments may turn out to be not as great as it appears.

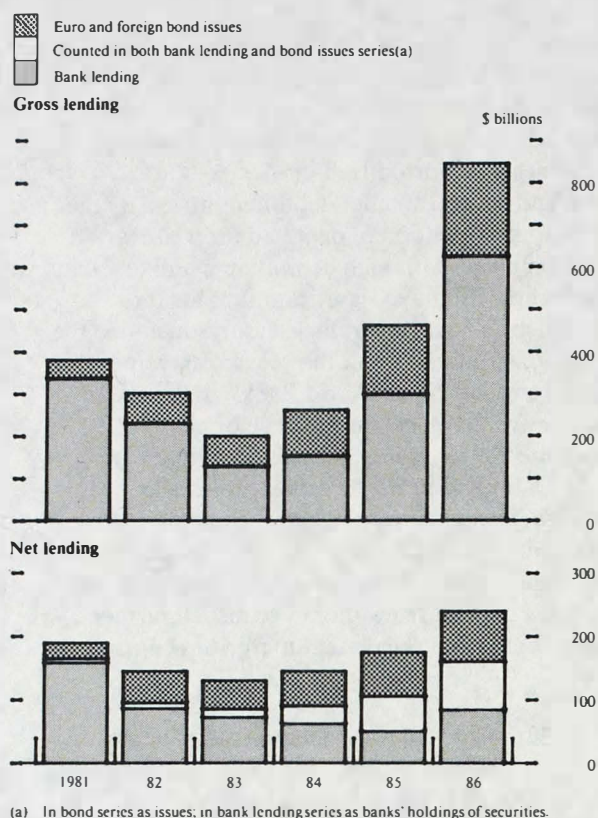
The recent record of defaults in international bond markets has generally been good, and securities, with few exceptions, have not been included in the restructuring of developing countries' debt since 1982. However, in 1986 there was a sharp increase in the volume of international bonds which became subject to restructuring. Estimated⁽¹⁾ eurobond issues subject to servicing difficulties amounted to about \$800 million between 1963 and 1984 (compared with total issues during that period of over \$550 billion). In 1986, over \$500 million of international bonds became subject to restructuring. Financial institutions' holdings of three FRNs with a face value of \$90 million were included in the rescheduling of Chile's commercial bank debt; and pressure by banking creditors of Dome Petroleum, the Canadian energy utility, resulted in a moratorium on interest and principal payments on Dome's \$450 million of outstanding international bond issues. These cases demonstrated that restructuring bonds is considerably more complicated and costly than restructuring bank loans.

It seems possible that the international capital markets are now nearing the end of a period of transition. Earlier in the 1980s a number of developments, including debt problems, weakening oil prices and widening payments imbalances between industrialised economies, changed the pattern of international financial flows. This created a demand for new instruments and caused banks to realign their business towards the securities markets. By early 1987 there were signs that some firms were reappraising their role in the securities markets. Faced with fierce competition (and in some cases losses on their trading activity) a number of firms announced that they were withdrawing from sectors of the market.

Market developments

The measurement of international lending has become more difficult in recent years as a growing proportion of the total has passed through securities markets outside the scope of banking statistics. A wide measure of international lending, aggregating bank lending statistics

Chart 1
Growth of international lending



(a) In bond series as issues; in bank lending series as banks' holdings of securities.

with international capital market statistics, has been devised by the Bank for International Settlements (BIS).⁽²⁾ Using this measure, gross lending amounted to a record \$844 billion in 1986, almost double the total for 1985. Net international lending was \$240 billion, around a third

Table A
Growth of international lending

\$ billions; banking flows adjusted to exclude estimated exchange rate effects

	1981	1982	1983	1984	1985	1986
Gross lending						
Bank lending	336	229	127	152	298	624
of which:						
To inside area	270	190	95	138	270	606
To outside area	66	39	28	13	24	9
Euro and foreign bond issues	44	72	72	108	164	220
of which:						
To inside area	..	64	66	99	146	200
To outside area	..	7	6	9	18	21
Total gross lending	380	301	199	260	462	844
Net lending						
Bank lending(a)	165	95	85	90	105	160
of which:						
To inside area	92	55	57	76	77	142
To outside area	66	40	28	14	24	9
Euro and foreign bond issues net of redemptions(b)	32	59	58	83	125	156
Total bank and bond finance	197	154	143	173	230	316
minus double counting(c)	-7	-9	-13	-28	-55	-76
Total net lending	190	145	130	145	175	240

not available.

(a) BIS estimate of net international bank credit: excluding double counting resulting from the redepositing of funds between reporting banks, but allowing for the banks' own use of external funds for domestic lending.

(b) Gross issues less estimates of redemptions and repurchases.

(c) Double counting due to partial inclusion of banks' purchases of bonds in bank lending series and banks' own bond issues made for purpose of supporting their international lending.

(1) Kerr, Ian. *A History of the Eurobond Market*. London: Euromoney Publications, 1984, page 114.

(2) All issues of euro and foreign bonds and FRNs are included, with an adjustment made to take account of double counting arising from issues and purchases by banks (which are already recorded in the international banking statistics). Eurocurrency syndicated loans are not included, as these too are already captured in the bank lending statistics, nor are issues of euro notes (except to the extent that holdings by banks are reported in the banking statistics), as reliable figures for amounts outstanding are not at present available.

higher than in 1985. Comparing these figures with those for 1981, the last year before the emergence of country debt problems, it might appear that international lending had recovered from the trough of 1982-84. There remain two major differences, however. First, a much higher proportion of lending is now in the form of issues of bonds and FRNs than was the case in 1981. Second, a lower proportion of new lending is now to developing countries.

International capital market developments

Issues of fixed-rate bonds and FRNs reached a new peak of \$220 billion in 1986; this was 35% above the 1985 total, although, within this total, issues of FRNs fell by 15%. The rate of growth was slower, however, than in previous years. Euronotes outstanding are thought to have roughly doubled in 1986. The arrangement of euronote facilities amounted to \$70 billion, a rise of 40%.

Issues of eurobonds have been growing faster than issues of foreign bonds on domestic markets. In 1986, 85% of gross international bond issues were in the euromarkets, compared with less than 70% in 1981. In terms both of the gross amount raised and of trading turnover, the eurobond market is the third largest bond market in the world, after the US and Japanese domestic bond markets.

There was a greater dominance of Japanese investors in the eurobond market in 1986, concurrently with an increase in Japanese borrowing. Japanese companies are believed to have increased their portfolios of foreign securities and hedged them by borrowing in foreign currencies. Issuers in the eurobond market continued to be largely from OECD countries and institutions.

Fixed-rate bonds and FRNs

Growth was particularly concentrated in the fixed-rate bond market, issues in which rose by 60% during 1986 to \$172 billion. This expansion was strongest in the first half of the year, when yields were falling. In the second half of the year issues were hampered by a surfeit of unsold bonds and the market was affected by uncertainty concerning economic developments. There was also a greater

incidence of early repayment as borrowers called bonds carrying higher coupons. According to OECD figures, early repayments of fixed-rate bonds in 1986 amounted to \$18 billion, compared with \$6 billion in 1985.

Demand for dollar-denominated bonds tended to be affected by uncertainty over the future path of the dollar exchange rate. Overall, dollar straight issues amounted to \$82 billion, compared with \$50 billion in 1985 (a slight increase in market share to 48%). Euroyen issues doubled with the continuing development of the yen's investor base in Europe. There was also notable growth in deutschemark issues to a total of DM 32 billion (\$15 billion) and in Swiss franc issues to Sw. Fc. 42 billion (\$23 billion).

In 1986, equity-related bond issues more than doubled to \$27 billion. Issues of bonds convertible into equity were little changed, but issues of bonds accompanied by warrants entitling the investor to buy equities at a predetermined price rose from \$4 billion in 1985 to \$20 billion in 1986. One of the attractions of bonds with equity warrants is that it is easier to arrange swaps, since the amount outstanding on the bonds is predictable (whereas the amount outstanding on convertible bonds declines unpredictably, depending on when investors choose to convert them). Furthermore, in 1986 Japanese investors were permitted to buy equity warrants stripped from the underlying bond. About half of all equity-related issues were for Japanese borrowers; almost all of these were in the form of issues with equity warrants.

In contrast to the growth of fixed-rate bonds in 1986, issues of FRNs, at \$48 billion, were 15% lower than the total for 1985; almost half the year's total issues were made in the third quarter. Prepayments of FRNs amounted to \$20 billion, compared with \$11 billion in 1985. Downward pressure on margins in the FRN market resulted from borrowers' being able to issue more cheaply by launching a fixed-rate bond issue and swapping it to floating rates, or by raising funds in the form of eurocommercial paper. Sovereign borrowers were able to obtain fine terms, in particular the United Kingdom which issued \$4 billion of FRNs carrying a coupon of $\frac{1}{8}$ % below Libid. The very low coupons on these notes suggested that, at a time of uncertainty about future interest rate movements, they were seen by investors as alternatives to US Treasury bills as money-market assets, rather than as medium-term banking assets.

In the fourth quarter the FRN market experienced a sharp decline, even before the problems in the perpetual sector at the end of the year. The decline of the FRN market appears to indicate a diminishing desire on the part of banks to continue increasing their holdings of securities. With particularly fine terms it is clearly very difficult for banks to buy the paper and make a profit by holding it. FRN holdings of banks in the United Kingdom grew in the first part of 1986 and by end-October, just before problems in the market began to emerge, had reached \$36.1 billion, with 60% held by Japanese banks. Between

Table B
New international bond and floating-rate note issues, and arrangement of euronote facilities

\$ billions

	Fixed-rate bonds		FRNs		Euronote facilities	
	1985	1986	1985	1986	1985	1986
Total	107.8	172.4	55.9	47.8	49.5	69.6
BIS-area	97.5	158.4	48.6	41.3	38.2	56.8
of which:						
United States	29.8	31.1	10.5	9.5	16.5	18.4
Japan	19.2	31.4	1.2	0.3	0.5	10.4
United Kingdom	3.1	7.0	11.3	12.6	3.8	2.6
France	5.1	9.0	6.9	4.0	3.0	4.5
Germany, Federal Republic	2.3	9.7	0.7	1.0	0.3	1.5
International institutions(a)	15.8	17.1	2.8	1.0	0.9	1.1
Other developed countries	7.4	11.6	1.5	4.5	9.5	11.4
of which:						
Australia	5.4	7.0	0.4	3.1	7.9	6.9
Other countries	2.9	2.4	5.8	2.0	1.8	1.4

(a) Including European institutions.

International equity issues

The international trading of equities has expanded considerably in recent years: investors have devoted a larger proportion of their portfolios to the shares of foreign companies and the shares of a growing number of companies have been listed on one or more foreign exchanges.

The internationalisation of equity markets has given rise to so-called 'international equity issues'—sales of shares or similar instruments to investors outside the issuer's domestic market. The term is commonly used to refer both to primary issues of shares and to secondary market placements of existing shares. For the most part, the distinctive feature of international equity issues is the method of distribution, as the instruments themselves are usually identical in the domestic and international markets.

The development of an international shareholder base is an objective for companies that wish to widen their ownership and possibly match the international spread of their operations. Some companies obtain foreign listings, without making new issues, for the same reason. The attraction of an international equity issue tapping new shareholders is that it may be possible at a smaller discount to the market price than an issue in the domestic market, provided that the constraints on issues other than pro rata to existing shareholders (pre-emption rights) allow this. Simpler listing procedures in a centre such as London may also encourage foreign companies to issue shares there rather than on their domestic stock exchange.

A variety of issuing techniques have been used. Two-tranche issues, where all the equity is listed on a domestic exchange, but one tranche is targeted at foreign investors, have been the area of most rapid growth. The distribution techniques for the foreign tranches of such issues may be similar to those used in the eurobond market; more recently syndicates have been formed, made up of one financial institution from each country where the issue is targeted. The numbers are of necessity approximate, but issues of this form amounted to about \$0.6 billion in 1984, \$3.4 billion in 1985 and \$5 billion in 1986. The proportion of each issue targeted at overseas investors by European companies has tended to be larger, reflecting the limited size of domestic equity markets in some smaller European countries. Many of the banks which have managed the international tranches are also prominent in the eurobond markets. Although the management fees on international equity issues

have fallen, they are still higher than those on international bond issues.

The more conventional form of international equity issue, involving simultaneous listing on more than one national exchange, has become less popular. Such issues have suffered from the costs attached to satisfying the prospectus and disclosure requirements of several markets, and so have been limited to large issues such as those for British Telecom, British Gas and Reuters. A further problem with these issues is the flowback of equity from the foreign to the domestic market, evident in the case of British Telecom. This is likely to reduce the issuer's willingness to incur the extra costs.

Some issuers, mainly European companies, while wishing to raise additional equity, have chosen to issue non-voting shares (going under various names), either because of restrictions on foreign

International equity issues^(a)

\$ billions

	1984	1985	1986
Total	0.2(b)	2.8(b)	7.5(b)
Issues for US companies targeted at investors abroad			2.0
Issues for European companies targeted at investors abroad		1.8	3.2
Bearer participation certificates issued by Swiss companies to non-resident investors		1.0	1.7

not available.

(a) Primary markets only (privatisations are not counted as primary market issues).

(b) These totals are approximate owing to the lack of any well-established data source on new issues in the various markets.

control of companies or to avoid diluting family ownership. Bearer Participation Certificates are an example of non-voting bearer instruments, issued almost exclusively by Swiss companies.

A further form of international equity investment involves the creation of Depositary Receipts, most notably in the form of American Depositary Receipts (ADRs), which have the advantage of being dollar-denominated instruments, thus circumventing the restrictions on the purchase of foreign registered securities by some US investors. They are fully convertible into the underlying equity and arbitrage between the two markets keeps their prices close. ADRs have been used principally as a means of transferring blocks of pre-existing equity into dollar securities, rather than as a means of raising additional equity capital in the United States. Unsponsored (secondary market) ADR issues outnumber those in the primary markets. ADRs have not been a notable means of raising new equity capital.

Table C
Floating-rate note holdings of banks in the United Kingdom

\$ billions

	Outstanding					
	Mid-month				End-month	
	1984 Nov.	1985 Nov.	1986 May	1986 Aug.	1986 Oct.	1987 Jan.
Japanese banks	11.8	17.7	19.6	19.2	21.5	21.6
'Other' overseas banks	2.8	7.2	8.3	8.9	9.2	8.8
British banks	0.9	1.6	3.1	2.8	3.1	2.9
American banks	0.8	1.2	1.5	1.3	1.5	1.4
Consortium banks	0.7	0.8	0.9	0.9	0.7	0.9
Total	17.0	28.6	33.3	33.1	36.1	35.7

October 1986 and January 1987, however, holdings fell slightly to \$35.7 billion. The development of the eurocommercial paper (ECP) market, where sub-Libid pricing is common, indicates that Libid is a workable benchmark, but ECP appears to be designed primarily for non-bank investors, who are prepared to accept sub-Libid pricing in return for the reduced risk involved in holding paper with a short maturity.

Most FRN issues were denominated in dollars, but with the weakness of the currency the dollar's market share fell from 86% in 1985 to 80%. Sterling issues amounted to £3.7 billion (\$5.5 billion)—a market share of 12%, compared with 6% in 1985. This increase was mainly due to issues by UK building societies, which until 1987 were limited to raising debt denominated in sterling. There were notably few issues in either the deutschemark or the yen sectors of the market, despite liberalisation measures taken in 1985.

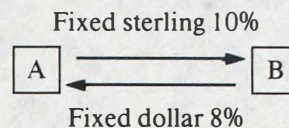
Euronote facilities

The volume of euronote facilities arranged in 1986, including eurocommercial paper (ECP) programmes, amounted to \$70 billion, an increase of 40% over 1985. It is difficult to measure this total, however, as some ECP programmes are arranged with no limit. The ECP market grew steadily over the year, following its rapid growth in 1985, and now dwarfs other sectors of the euronote market. Of all facilities in 1984, the proportion of uncommitted (non-underwritten) facilities (both ECP and the uncommitted parts of traditional NIFs) was just 3%; in 1985 it was a third; and in 1986 it was over three quarters. Notes outstanding, however, are thought to have roughly doubled during 1986 and are estimated at around \$35 billion at the end of 1986.

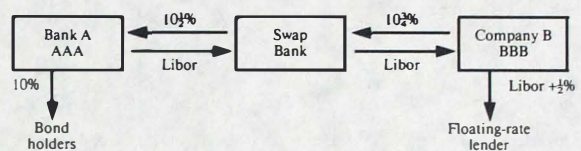
At the inception of the euronote market, issuers largely comprised traditional syndicated loan borrowers, or at least lower-rated issuers in the securities markets. In 1986, however, several highly-rated US corporations arranged programmes. A notable example was GMAC, whose issues account for about 10% of outstandings in the \$300 billion US commercial paper (CP) market. It launched an ECP programme in May that grew to

Recent developments in the swap market

In the article on 'Recent developments in the swap market' in the February *Bulletin*, some of the sets of direction indicators in the diagrams illustrating the flow of interest payments in swap transactions were inadvertently transposed at a late stage of the production process. The second diagram on page 67, illustrating a fixed/fixed currency swap, should read:



And the diagram on page 68 should read:



Net cost to bank A: Libor - 1/2%

Net cost to company B: 11 1/4%

\$1 billion of outstandings within two months, helping to provide a core of corporate paper in the market. From these borrowers' point of view, committed euronote facilities can replace bank lines as low-cost standbys to support active US CP programmes. Conversely, by arranging ECP programmes these borrowers have hoped to benefit from any future cost advantages of the euromarket over the US market, as well as to become better known in the euromarket.

A recent study⁽¹⁾ concluded that in 1986 borrowers in the eurocommercial paper market were often able to raise funds more cheaply in this market than in the US CP market. Such relative cost advantages were greatest for highly-rated borrowers, which suggests that US corporate borrowers often tended to draw on their programmes rather than regard them as purely standby facilities.

International banking developments⁽²⁾

Banks' international lending was very much stronger in 1986 than in 1985 (\$624 billion compared with \$298 billion). Almost all of this increased lending was to countries in the BIS reporting area.⁽³⁾ Even though growth in lending was predominantly interbank, there was also a marked increase in lending to final users. This lending was \$160 billion, fifty per cent higher than in 1985. Again, most of the identifiable lending was to BIS reporting countries.

(1) Mills, R. *The Cost Competitiveness of the Europaper market*. Federal Reserve Board, December 1986.

(2) Analysis of international banking developments focuses on statistics collected from the banks in the BIS reporting area, and from banks in the United Kingdom. Throughout this section international banking business refers to all banking transactions in foreign currency—cross-border and with local residents—and cross-border transactions in domestic currency.

(3) Banks in Austria, Belgium, Canada, Denmark, Finland, France, Federal Republic of Germany, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States and those engaged in international business in the Bahamas, the Cayman Islands, Hong Kong and Singapore, all offshore banking units in Bahrain, all offshore banks operating in the Netherlands Antilles and branches of US banks in Panama.

Increased lending to final users in 1986 was reflected in the recovery in eurocurrency syndicated loans. Loans totalling \$26 billion were arranged, representing an increase of 34% over 1985. Syndicated lending remains a very minor part of international lending, however. OECD borrowers who make use of the syndicated credit market tend to be lower-rated names, as highly-rated borrowers can generally borrow more cheaply in other markets.

Table D
Interbank lending between banks in the BIS-reporting area

\$ billions: flows exclude estimated exchange rate effects; figures in *italics* are percentages

	Flows			Outstanding at end-1986
	1984	1985	1986	
Cross-border interbank lending	94	183	429	2,063
<i>Interbank lending as a percentage of all cross-border lending</i>	<i>85</i>	<i>89</i>	<i>94</i>	<i>83</i>
Lending to resident banks in foreign currency(a)	14	53	127	566
International interbank lending	108	235	555	2,629
<i>Interbank lending as a percentage of all international lending</i>	<i>78</i>	<i>87</i>	<i>92</i>	<i>81</i>

(a) Excludes lending by banks in the United States. Includes lending by banks in Japan to resident non-banks.

The overall increase in banks' international lending was dominated by interbank flows. Interbank lending was \$555 billion in 1986, representing a more than 25% increase in outstanding interbank loans, and accounting for over 90% of the growth in total international lending. At end-December 1986 it represented 81% of the stock of outstanding international lending. Japanese banks' interbank business accounted for over half the total growth in interbank activity. The driving forces behind the growth in interbank business include the financing of a larger proportion of the US current account deficit and the funding of banks' acquisitions of securities inventories. Growth was particularly strong in the second half of 1986. In the third quarter, activity was affected by mid-financial-year window-dressing operations of the Japanese financial and corporate sectors. In the fourth quarter, the opening of an 'offshore' banking market in Tokyo led to a sharp increase in business between related offices of Japanese banks.

The stagnation in lending to developing countries reflects the continuing absence of spontaneous loans to problem debtor countries. Gross claims on the Baker-15 countries in aggregate fell by close to \$3 billion in 1986, despite

Table E
Bank lending to Baker-15 countries

\$ billions: flows exclude estimated exchange rate effects

	1984		1985		1986		End-1983 to end-1986
	H1	H2	H1	H2	H1	H2	
Baker-15 countries(a)	3.1	-0.2	-0.5	1.4	-2.4	-0.2	1.2
Other developing countries	0.1	4.1	3.6	7.5	-3.4	4.4	16.2

(a) Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Ivory Coast, Mexico, Morocco, Nigeria, Peru, Philippines, Uruguay, Venezuela and Yugoslavia.

about \$3 billion of new bank credits extended in the context of debt restructuring packages. Over the same period, banks' claims on non-OPEC developing countries increased by \$1 billion. New bank lending to developing countries continues to be understated, however, owing to transfers of banks' claims to export credit agencies and to the writing-off or selling of claims to non-banks.

Detailed geographic data of banks' external business are now publicly available for a number of important financial centres (see Appendix).⁽¹⁾ US-chartered banks have the largest share (30%) of bank lending to the Baker-15 countries. During 1986, US banks' claims on non-OPEC developing countries fell by 8%, following a decline of 7% during 1985. US banks have reduced their claims on all regions since the end of 1984, but especially on Latin America, where they are the most significant creditor group by nationality, and on Asia. In Asia their claims have fallen by over 25% since 1984, with US banks' lending to South Korea falling by a third. Write-offs of US banks' claims have become much more prevalent; the Federal Reserve Board estimated that just over 10% of the reduction in external claims on non-OPEC developing countries in 1985 was attributable to this factor.

British-owned banks' claims on Baker-15 countries have increased by 9% since 1982 as a result of their participation in new credit packages agreed in the context of debt restructuring agreements. However, their exposure to Baker-15 countries is substantially smaller than that of US banks.

In recent years, German domestic banks have expanded their lending to developing countries modestly. Their lending to the Baker-15 countries at end-June 1986 was 7% of all banks' lending to those countries, a share which was lower than that of the British banks. German banks' lending to Eastern European countries, however, accounts for some 20% of all bank lending to these countries. In the first six months of 1986, French resident banks increased their lending to Africa by 7%, and lending to this region accounts for 25% of their external claims on developing countries. Swiss resident banks account for less than 5% of all banks' lending to the Baker-15 countries, and latest published data for 1985 indicated a growing importance of lending to Eastern Europe, Hong Kong and Singapore.

Although geographic data are not published by Japan, it can be inferred that Japanese banks' lending, on a consolidated basis, to the major Latin American debtors is close to 20% of total bank lending to these countries, making the Japanese banks second only to the US-chartered banks. A good proportion of Japanese banks' lending to Latin America is thought to be booked in their offices in the United States. In March 1987, twenty-eight Japanese banks established a joint factoring

(1) Data on the domestically-owned banks of the United States, United Kingdom, Germany, France and Switzerland which are set out in the following three paragraphs are from published sources and represent, as near as possible, lending on a consolidated basis, ie including the business of branches and subsidiaries abroad.

company in the Cayman Islands to purchase loans to developing countries held by Japanese banks. Japanese banks' lending from London to major problem debtor countries is small; external claims are concentrated on Japan and other major financial centres. During 1986, new lending by Japanese banks from London to countries outside the BIS reporting area was mainly to the USSR, the German Democratic Republic and Hungary.

The BIS consolidated half-yearly statistics (for which the latest period covered is the first half of 1986) indicate that there has been a general lengthening in the maturity structure of bank lending to outside-area countries; this has been particularly pronounced for Latin America as a result of debt reschedulings. For all outside-area countries the proportion of claims with more than a year to maturity increased from 52.5% at end-December 1985 to 54.8% at end-June 1986. Reschedulings have more than offset the impact of the resurgence of trade finance flows in 1985 which shortened the maturity profile of banks' claims on developing countries in that year.

Since 1984, undisbursed credit commitments for debtor countries have grown in parallel with banks' claims, and as a result have been maintained at around 16% of outstanding claims. There are, however, wide differences between individual groups of countries and within groups. In Latin America, commitments fell to 6% of claims at end-1984 but recovered marginally to 7% by end-June 1986. Commitments have fallen during this period for certain major debtor countries, including Argentina and Nigeria; commitments for Nigeria fell from 21% to 8% of claims.

Analysis of business by centre and nationality

During 1986 banks located in Japan increased their share of total international lending to 15% of outstanding loans. A significant sector of growth in lending by banks in Japan was in foreign currency to residents of Japan. At end-December 1986, banks in Japan had the largest stock of foreign currency claims on residents, but banks in the United Kingdom extended foreign currency loans to non-residents that were three times larger than those extended by banks in Japan. London remained, therefore, the world's largest centre for international lending, retaining around 23% of total business—almost as large a share as that of all the continental European centres taken together and around 40% higher than that of the offshore centres.

The importance of the traditional 'offshore' banking centres and of the international banking facilities (IBFs) in the United States has declined over the last two years, and they held shares of international assets of 16% and 6% respectively at the end of 1986. On 1 December 1986 the Japanese opened an 'offshore' banking market in Tokyo, and after one month around 15% of the international assets of banks in Japan was booked 'offshore'. The Canadian government has also announced its intention to set up similar facilities in Montreal and Vancouver.

Table F
International banking analysed by centre

\$ billions: figures in italics are percentages

	End-December 1986			Total(a)	Percentage share of total		
	Foreign currency lending to:		Domestic currency lending to non-residents		End-Dec.		
	Residents	Non-residents			1984	1985	1986
Gross lending	752	2,331	890	4,107			
<i>of which:</i>							
Belgium	35	118	7	160	3.3	3.8	3.9
Luxembourg	27	138	3	168	3.7	4.0	4.1
France	53	155	33	241	6.7	6.6	5.9
Germany, Federal Republic	3	42	116	161	2.4	3.1	3.9
Italy	25	52	6	83	2.1	2.1	2.0
Netherlands	13	68	20	101	2.4	2.5	2.5
Switzerland	13	46	49	108	2.2	2.5	2.6
Swiss trustee accounts				134(b)	3.7	3.7	3.3
United Kingdom	242	665	50	957	24.3	24.5	23.3
Canada	25	49	4	78	2.5	2.2	1.9
Japan:							
'Offshore' market	5	70	19	94	—	—	2.3
Other	263	138	119	520	8.9	10.4	12.7
United States:							
International banking facilities		17	217	234	7.0	6.2	5.7
Other		8	227	235	8.2	6.6	5.7
'Offshore' banking centres		673	5	678	19.0	17.9	16.5

not available.

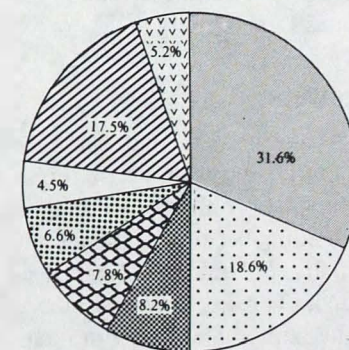
(a) The three components do not sum to the total, which also includes Swiss trustee accounts.

(b) End-September 1986.

Japanese banks are the largest nationality group in the international banking market, with a 32% share of international assets at end-September 1986 (around one third of which are booked in London). US banks have the second largest share (19%) followed by French banks (8%).

The rapid growth of business conducted by banks with Japan was the main feature of the London market in 1986; claims on Japan increased by 72%. Japan was the largest net taker of funds from the London market (\$16.3 billion) as head offices in Tokyo intensified the use of their London branches for treasury operations. Most of the increase in activity with Japan was in interbank business

Chart 2
International assets of BIS reporting banks by nationality of ownership



Shares of amount outstanding at end-September 1986

as the major Japanese banks competed aggressively over balance-sheet size. Japanese companies made greater use of London as a source of funds either directly or indirectly through the intermediary of banks' head offices in Tokyo. Two thirds of the growth in borrowing in London by non-banks in Japan was denominated in yen, reflecting increased foreign, rather than domestic, intermediation. As a result of these factors, cross-border lending by branches of Japanese banks showed by far the largest growth (up 40%) of the bank nationality groups in London. Lending by British banks rose by 10% while lending by American banks fell by 10%, their largest annual loss of market share this decade, reducing their share of external assets to 12% and leaving Japanese banks with the largest share by a clear margin.

Analysis by currency

Even though the dollar's share of outstanding external lending by BIS-area banks continued to decline, its share of new lending increased for the first time this decade. The Deutschmark retained its position as the second most used currency in terms of the stock of outstanding debt but its share in new lending fell quite sharply. Surprisingly, the share of the yen in new lending fell back slightly compared with 1985, but its share of the stock of outstanding loans rose to 9% at end-December 1986.

Table G
Currency shares of external lending
by BIS-area banks^(a)

Percentages; flows exclude estimated exchange rate effects

	Flows			Outstanding at end-1986
	1984	1985	1986	
US dollar	28.7	30.5	58.7	58.5
Deutschmark	13.2	16.2	6.8	12.8
Yen	16.2	24.1	17.1	8.8
Swiss franc	4.1	10.1	2.9	6.3
Sterling	10.5	4.0	4.5	3.2
ECU	11.7	7.7	1.8	2.1
Other	15.6	7.4	8.2	8.3

(a) Excluding the lending of the 'offshore' banking centres for which currency detail is not available; the dollar share may therefore be understated.

The use of the ECU continued to weaken, accounting for only 2% of new lending (compared with 8% in 1985). Nevertheless, there has been a considerable broadening of the geographical base of the ECU banking market. Banks in France and the United Kingdom have consolidated their positions as leading intermediaries in the ECU banking market but there has also been an expansion of business in a number of the smaller centres, notably Belgium and Luxembourg.

Review of borrowers

The following section reviews the pattern of lending in 1986, referring to both banking and capital markets statistics. In this way the problem of the banking statistics understating new lending because of the incomplete capture in the statistics of banks' holdings of securities is partly circumvented. (Three countries, France, Switzerland and the United States do not include security holdings in their international banking statistics.)

Table H
Net cross-border banking flows

\$ billions; flows exclude estimated exchange rate effects

	Outstanding at end-1983	Flows			Outstanding at end-1986
		1984	1985	1986	
Net borrowing/lending (-)					
By residents of					
United States					
Banks	-101.9	15.2	35.2	23.9	- 27.4
Non-banks(a)	-115.5	26.3	8.4	1.4	- 76.2
Total	-217.4	41.5	43.6	25.3	-103.6
Germany, Federal Republic					
Banks	- 5.8	- 1.9	-13.1	-27.8	- 58.9
Non-banks(a)	31.5	- 2.5	- 2.7	-20.2	14.4
Total	25.7	- 4.4	-15.8	-48.0	- 44.5
Japan					
Banks	- 2.5	1.8	-12.1	20.6	0.7
Non-banks(a)	8.6	- 3.2	- 0.8	2.2	8.0
Total	6.1	- 1.4	-12.9	22.8	8.7
United Kingdom					
Banks	30.1	12.4	15.2	10.8	44.4
Non-banks(a)	1.2	- 1.9	- 1.5	2.6	0.2
Total	31.3	10.5	13.7	13.4	44.6

(a) Net external flows vis-à-vis BIS-area banks.

Of the \$844 billion gross bank and capital market lending in 1986, 95% was to BIS reporting countries. A very large part of this new lending was to Japan and the United States. In terms of both banking and capital market flows, the United States (with a current account deficit of \$141 billion in 1986) was a net taker of funds from the international markets in 1986, while Japan and the Federal Republic of Germany, with current account surpluses, were major net providers of funds. However, the channels through which the funds flowed changed in 1986 and the picture was obscured by the growing use of international markets by borrowers in all developed countries.

Table J
International activity by US borrowers

\$ billions

	1984	1985	1986
Net international bond issues(a)	21.5	36.3	33.0
Net banking flows	41.5	43.6	25.3
Arrangement of euronote facilities(a)	3.0	16.5	18.4
Foreign purchases of US equities	-3.0	5.0	18.2

Sources: Bank of England, BIS, US Department of Commerce, *Survey of Current Business*.

Note: Figures for bond issues and bank lending are not directly comparable because of different bases of compilation.

(a) Estimated; includes foreign subsidiaries borrowing with parental guarantee.

Cross-border borrowing by US residents—banks and non-banks—has been a substantial source of funds for the United States in recent years as US banks added to their stocks of external liabilities and US non-banks continued their eurodollar borrowing from BIS-area banks. Since end-1983 this has produced a net inflow of \$110 billion, and at end-December 1986 US residents' net external banking assets were half the amount they had been three years earlier.

In 1986, however, inflows to the United States from the international banking market were smaller than those from international securities markets. Foreign purchases of US equities became particularly important, rising from

\$5 billion in 1985 to \$18 billion in 1986. The net amount raised on the international bond markets fell from an estimated \$36 billion in 1985 to \$33 billion in 1986. The proportion of new issues in yen rose, although the proceeds will mostly have been swapped for dollars. Equity-related issues doubled to \$3 billion.

Table K
International activity by Japanese borrowers and investors

	1984	1985	1986
Borrowing			
Net international bond issues(a)	15.0	18.7	27.8
Net banking flows	-1.4	-12.9	22.8
Arrangement of euronote facilities(a)	0.2	0.5	10.4
Investing			
Net purchase of international bonds	30.7	58.8	95.1
Net purchases of foreign equities	0.1	1.0	7.0

Sources: Bank of England, BIS, Bank of Japan.

Note: Figures for bond issues and bank lending are not directly comparable because of different bases of compilation.

(a) Estimated; includes foreign subsidiaries borrowing with parental guarantee.

Japanese residents are both large depositors with and borrowers from banks outside *Japan*. In 1986 there was an inflow of \$23 billion, compared with an outflow of \$13 billion in 1985.

Almost three quarters of Japan's net capital outflow in 1986 was through the securities markets. Japanese residents' net purchases of international bonds rose from \$59 billion in 1985 to \$95 billion in 1986. The net amount raised through issues of international bonds rose by 50% to \$28 billion as Japanese borrowers took advantage of cheaper funds and flexible issuing procedures in the eurobond markets and used foreign currency liabilities as a means of hedging their growing portfolios of foreign currency assets. In 1986 Japanese investors' purchases of US Treasury bonds appear to have fallen in favour of increased purchases of eurobonds; this, together with increased activity by Japanese companies as issuers, contributed to the greater prominence as lead managers in the eurobond market achieved by Japanese firms in 1986. There was also a switch to purchases of foreign equities, which rose from \$1 billion in 1985 to \$7 billion in 1986.

These developments contrast markedly with the pattern of flows exhibited by the other major surplus country, the *Federal Republic of Germany*. Reflecting the strengthening of its external position, Germany has become in the last two years the largest supplier of funds in the international banking market, supplying \$16 billion in 1985 and a sharply increased flow of \$48 billion in 1986. Germany's total banking assets now significantly exceed its liabilities compared with its position as a net debtor to the international banking system at end-1983. German non-banks, however, despite their position as suppliers of \$20 billion to BIS-area banks in 1986, particularly to banks in London, remain net takers of funds. Long-term capital, however, flowed into Germany in 1986: foreign purchases of domestic bonds doubled and issues of international bonds by German

borrowers trebled to \$11 billion, with German banks being the main issuers.

All types of *UK* borrower except banks increased their capital market activity in 1986. Overall, the proportion of borrowing activity in sterling was higher; issues of fixed-rate bonds in sterling more than trebled to £1.8 billion (\$2.6 billion). In addition, UK borrowers were identified as swapping \$0.6 billion of foreign currency bond issues into sterling. The UK government raised \$4 billion through an FRN to add to its foreign exchange reserves, following an issue of \$2.5 billion in 1985. Industrial companies' international bond issues doubled to \$7.7 billion, of which 40% was in sterling, and their arrangement of syndicated credits rose sharply. UK non-banks borrowed \$3 billion from BIS-area banks in 1986. It first became possible for building societies to raise sterling from the international bond markets in 1985. In 1986 their borrowing from this source trebled to £3.7 billion (\$5.3 billion), including fixed-rate bonds swapped into floating rates.

Table L
International activity by UK borrowers

	1984	1985	1986
Net international bond issues(a)	4.0	12.9	16.6
Net banking flows	10.5	13.7	13.4
Arrangement of euronote facilities(a)	0.7	3.8	2.6

Sources: Bank of England and BIS.

Note: Figures for bond issues and bank lending are not directly comparable because of different bases of compilation.

(a) Estimated; includes foreign subsidiaries borrowing with parental guarantee.

Most other *developed countries* also increased their issues of bonds and FRNs. For many, such as France, the increase in activity was associated with active restructuring of their debt. Some, such as Denmark (with a deteriorating current account position) and Norway (in response to falls in the oil price), sought additional funding from the international banking and capital markets as a result of adverse economic factors; others with strengthening current account positions, such as Ireland and Spain, reduced their liabilities by repaying loans or prepaying securities issues, and at the same time were able to negotiate finer terms. European governments also used interest rate swaps to change the structure of their outstanding liabilities, in most cases increasing the proportion at fixed interest rates in European currencies and reducing the proportion in floating-rate dollars.

In 1986 several of the main groupings of *developing countries* reduced their borrowing from reporting area banks, although lending to Eastern Europe and Asia increased. Oil exporters drew down their deposits. Developing countries have benefited very little from the strength in recent years of the bond and FRN markets and the emergence of the euronote and eurocommercial paper market. Developing countries (with the exception of Mexico which was an active issuer until 1982) have never been particularly large issuers of securities. Although a

Table M
Net borrowing from BIS reporting banks by selected country groups

\$ billions; flows exclude estimated exchange rate effects

	Flows			Outstanding at end-1986
	1984	1985	1986	
Latin American non-OPEC developing countries				
Borrowing	5.7	1.7	- 1.6	221.8
Deposits	10.3	0.4	0.4	70.8
Net borrowing	- 4.6	1.3	- 2.0	151.0
Asian non-OPEC developing countries				
Borrowing	4.9	8.3	2.7	103.6
Deposits	10.0	2.4	11.7	89.2
Net borrowing	- 5.1	5.9	- 9.0	14.4
Oil exporters				
Borrowing	- 1.8	0.2	- 0.2	116.4
Deposits	2.2	7.6	-22.1	143.8
Net borrowing	- 4.0	-7.4	21.9	- 27.4
Eastern Europe				
Borrowing	—	5.7	4.4	73.1
Deposits	4.3	2.8	- 0.1	29.4
Net borrowing	- 4.3	2.9	4.5	43.7

number of Asian countries now have access to these markets, most developing countries have little immediate prospect of securing funds in this way.

After modest amounts of new lending to *Latin American non-OPEC developing countries* in each of the previous two years (\$5.7 billion in 1984 and \$1.7 billion in 1985), there was a reduction in the claims of reporting-area banks of \$1.6 billion in 1986. As in the previous three years the amount of spontaneous bank finance was negligible. In addition, there was a marked reduction in disbursements under new money loans arranged as part of debt restructuring agreements. Reporting banks' claims on Argentina rose by \$1.6 billion as a result of the drawdown of new money. Claims on Brazil were flat, but deposits fell, affected by the country's weakened trade performance. Lending to Mexico fell by \$1.5 billion.

Lending to *Asian non-OPEC developing countries* was lower in 1986 than in the previous two years (\$2.7 billion after \$4.9 billion in 1984 and \$8.3 billion in 1985). Borrowing by China from international banks did not continue at the same pace as in 1985, reflecting the narrowing of the country's current account deficit. Nevertheless, China still had substantial external financing needs, and issued more than \$1 billion of bonds and FRNs in the international capital markets. Taiwan was a very sizable net provider of funds to BIS-area banks as the result of a \$14.4 billion build-up in its deposits (after \$5.4 billion in 1984 and \$6.7 billion in 1985). A large proportion of these deposits was made with banks in London.

Oil exporting countries, which had built up their deposits in 1984 and 1985, drew them down substantially in 1986. Indonesia, with its current account deteriorating, secured a number of new loans, mostly in yen, and also made an FRN issue. Algeria, which was seeking new funds to finance its current account deficit and to meet increasing debt service payments, increased its borrowing by \$1.5 billion, but during the year encountered increasing resistance from lenders. Those oil producers with large foreign exchange reserves met their financing needs by reducing their deposits.

Gross new lending to *Eastern Europe* rose by \$4.4 billion in 1986, but in contrast to the previous year, when other countries such as the German Democratic Republic and Hungary had raised bank finance, only the USSR increased its borrowing substantially. The USSR, experiencing a widening current account deficit as a result of the fall in oil prices, increased its borrowing by \$4.1 billion in 1986.

Appendix

International borrowing: a guide to statistical sources

In terms of coverage of commercial banks' external positions with debtor countries, both the Bank for International Settlements (BIS) and the International Monetary Fund (IMF) have increased the number of banks world-wide which report data. The number of countries reporting, quarterly, a geographic analysis of commercial banks' external positions to the BIS is twenty-five, and includes nearly all the industrial countries and the major 'offshore' banking centres. Exchange rate adjusted changes in the banking flows *vis-à-vis* certain individual debtor countries are estimated and published by the BIS in its quarterly *Press Release*. The IMF has made considerable progress in expanding the number of countries reporting a geographic distribution of the external position of commercial banks, and now receives detailed reports from over thirty international banking centres, including nearly all industrial countries, the major 'offshore' banking centres, and some developing countries that play a significant role in international banking. The IMF publishes eight world tables of international banking statistics in its monthly publication, *International Financial Statistics* (IFS), which give geographic analysis of the foreign assets and liabilities of the international banking system.

In recent years, the range and quality of published information on international borrowing has improved. By December 1984, the semi-annual maturity analysis of commercial banks' claims on debtor countries was constructed by the BIS on a fully consolidated basis. Under this system, the worldwide lending of banks registered within the BIS area (including that of their branches and subsidiaries abroad) is consolidated by the countries in which the parent banks or head offices are situated. This analysis, which is reproduced in Table 13.2 of the statistical annex of the *Bank of England Quarterly Bulletin*, also provides valuable data on the sector of borrower and on unused credit commitments to the debtor countries.

The semi-annual report issued jointly by the OECD and the BIS combines commercial banks' claims and trade-related non-bank external claims on debtor countries. The *External Debt Statistics* published annually by the OECD (most recently in January 1987) aims to cover all elements of gross external indebtedness of debtor countries. Sources of data on country debt include bank claims, official development assistance, claims of multilateral agencies, and official and officially guaranteed trade-related claims derived from the Creditor Reporting System (CRS) returns to the OECD made by OECD member countries' export credit guarantee agencies and by official export-financing institutions. The World Bank too has put considerable effort and resources into gathering

and publishing data. The World Bank's annual publication—*World Debt Tables*—provides a detailed breakdown, covering a number of years, of public and publicly guaranteed long-term debt. Information is reported by the 109 Debtor Reporting System (DRS) countries and includes interest payments, average terms of new commitments and projected public debt service payments. Major economic aggregates and debt indicators are also published country by country. The volume of information in respect of each country is far greater than is published in the *External Debt Statistics*.

A number of major financial centres publish data reported by banks in respect of a geographical breakdown of their international lending.

Belgium

The monthly *Bulletin* of the Banque Nationale de Belgique includes a geographical breakdown of external claims and commitments of banks and other monetary institutions in Belgium by geographic regions. Data are available only at end-years, and coverage is limited to credits of B.Fcs. 1 million or more.

France

The Banque de France publishes in its *Bulletin Trimestriel* a geographic breakdown of the external business of banks located in France, and separately, of French banks on a consolidated basis. Only the thirteen principal banks report on a consolidated basis; the geographical analysis shows maturities, sectors of borrower and commitments.

Germany, Federal Republic

A detailed geographic breakdown of the external business of banks located in Germany and, separately, of the foreign branches and subsidiaries of domestic banks appear in the *Statistical Supplement: Series 3* of the *Monthly Bulletin* published by the Deutsche Bundesbank. The maturity (short-term and long-term) of borrowing and whether it is by banks or by non-banks is shown for each country; total borrowing only is broken down by the major currencies.

Ireland

The quarterly bulletin of the Central Bank of Ireland, *Faisneis Raithiúil*, publishes data on the international business of all licensed banks in relation to geographic regions and a limited number of individual countries, primarily industrial countries.

Italy

The external position of banks located in Italy *vis-à-vis* geographic regions and a limited number of individual countries, including EEC members, is published in the Statistical Appendix to the Banca d'Italia's *Annual*

Report. The net external position only is published. A separate analysis of the consolidated 'exposure' of banks in Italy into groups of countries and for the Baker-15 countries is published quarterly in the Banca d'Italia's *Economic Bulletin*.

Luxembourg

A breakdown of external assets and external liabilities in foreign currencies of banks located in Luxembourg into geographic regions is published quarterly in the *Bulletin* of the Luxembourg Monetary Institute. A separate analysis by individual currencies of the aggregates for external assets and external liabilities is also provided.

Netherlands

The *Quarterly Bulletin* of the De Nederlandsche Bank gives a geographical breakdown of the external business of authorised banks located in the Netherlands, and claims and liabilities by countries are broken down into short-term and long-term by original maturity. A separate analysis of the consolidated claims on non-residents of the Universal banks and Rabobanks is also shown, with a further maturity analysis by remaining maturity.

Spain

A geographical breakdown of the external business of banks in Spain, including their branches worldwide (but excluding branches of foreign banks in Spain) is published in the Statistical Appendix to the *Annual Report* of the Banco de España. A maturity and sector breakdown of external claims is provided, and undrawn commitments are also shown separately.

Switzerland

A detailed geographical analysis of the external business of banks in Switzerland (and a separate analysis of trustee business) is collected and published in the annual Swiss National Bank publication, *The Swiss Banks*. This analysis is derived from annual reports from 143 banks and includes the external business of branches of Swiss banks abroad. Monthly data on the external and fiduciary business of banks in Switzerland are published in the *Monthly Bulletin* of the Swiss National Bank, but no country detail is given.

United Kingdom

The *Bank of England Quarterly Bulletin* statistical annex, Table 14 (published first by press release) provides a quarterly geographic distribution of the external claims and liabilities of banks located in the United Kingdom. By contrast, Table 15 comprises the consolidated claims of UK-registered banks only (ie British banks plus UK-registered consortium banks and subsidiaries of foreign banks), including the business of their branches and subsidiaries abroad. Risk transfers, an analysis by sector and maturity, and unused commitments are also shown.

United States

A detailed geographical breakdown of external claims appears in three publications: the *Treasury Bulletin*, *Federal Reserve Bulletin*, and the *Country Exposure Lending Survey, Statistical Release*. The *Treasury Bulletin* monthly series covers banks (including IBFs) located in the United States. The *Federal Reserve Bulletin* quarterly series combines the Treasury data for the US offices of US banks with data for the foreign branches of those banks and eliminates claims between offices of the same bank to produce a series of consolidated claims. The *Country Exposure Lending Survey* contains, on a quarterly basis, consolidated claims of all US-chartered banks (including US subsidiaries of foreign banks), with additional information on maturity, sectors and commitments. The total of claims on each country is adjusted for risk transfers to show the reporting banks' exposure to that country.

'Offshore' centres

Among 'offshore' centres, a detailed geographical analysis of the external liabilities and claims of banks (and, separately, of deposit-taking companies) in Hong Kong is published by the Census and Statistics Department of the Hong Kong Government in their *Monthly Digest of Statistics*, and a limited geographical breakdown of the assets and liabilities of the offshore banking units in Bahrain is published in the *Quarterly Statistical Bulletin* of the Bahrain Monetary Agency.