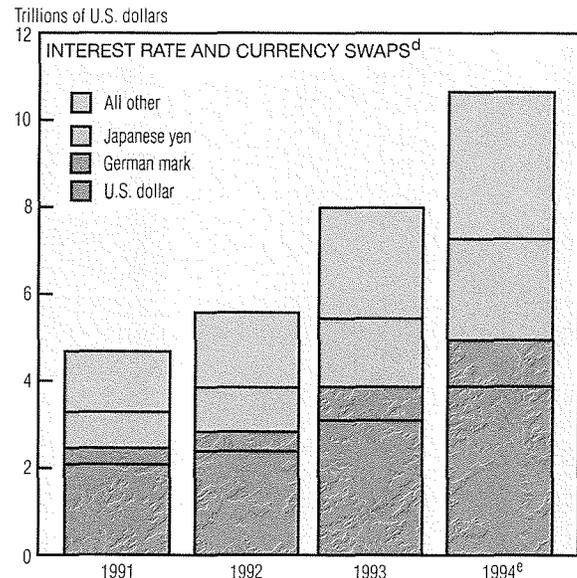
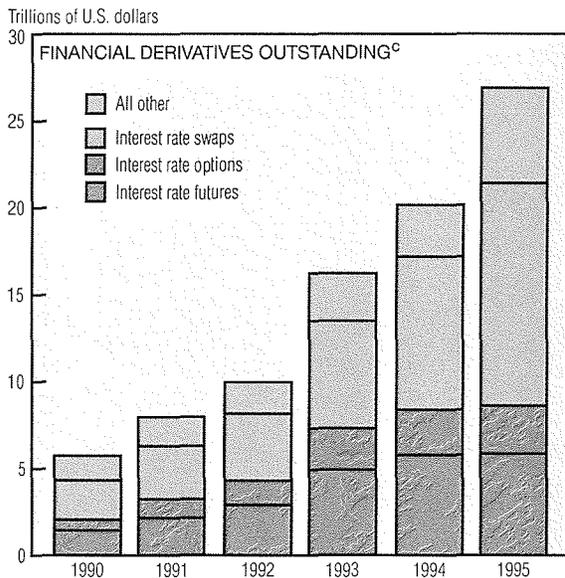
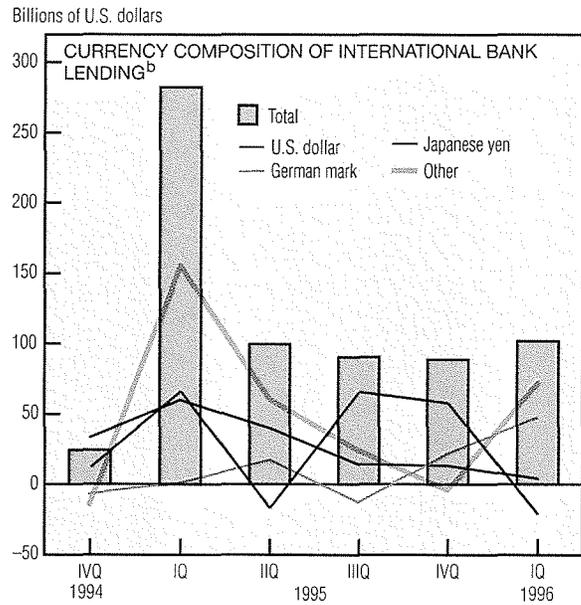
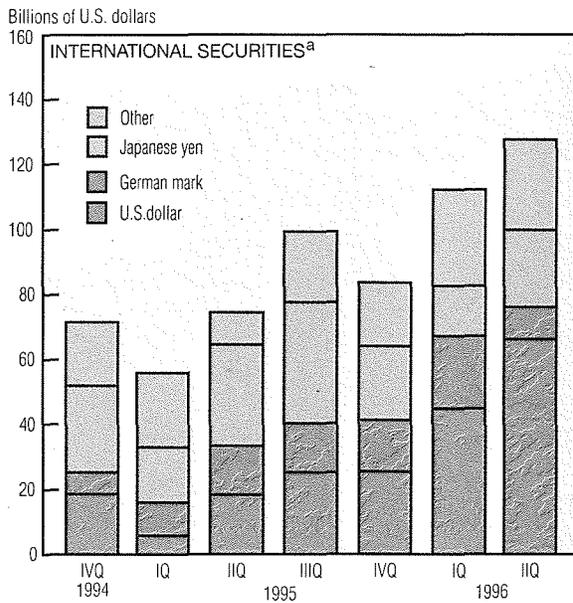


International Finance



- a. By currency.
- b. Changes in amounts outstanding excluding exchange rate valuation effects.
- c. Notional amounts outstanding at end of year.
- d. Notional principal.
- e. Latest available data.

SOURCE: Bank for International Settlements, *International Banking and Financial Market Developments*, Basel, August 1996.

According to the Bank for International Settlements, net new issues of international debt securities reached a record high in the second quarter. Although corporate borrowing in the major industrial countries remained subdued, the markets absorbed a record volume of debt issues from developing countries and governments of developed countries. Declining volatility in both interest rates and exchange rates may have lowered the perceived risk to investors.

In the first quarter, the currency

composition of international bank lending shifted away from the Japanese yen and U.S. dollar toward the German mark, as Japanese banks continued their retreat from international credit markets. Net new bank lending to developing countries dropped off, partly due to heavy repayments of loans by Argentina and Mexico. However, overall capital flows to such countries have been maintained by increased securities issues.

Survey data for 1995 show that the amount of financial derivatives

outstanding continues to grow rapidly. However, there has been a surprisingly strong movement from the organized exchanges to over-the-counter (OTC) trading. Some of the weakness in the exchange-traded contracts stems from a moderation in corporate hedging. In response to competitive pressures from the OTC market, exchanges have heightened their efforts to develop new instruments, especially those designed to manage the risk associated with equities and emerging market securities.