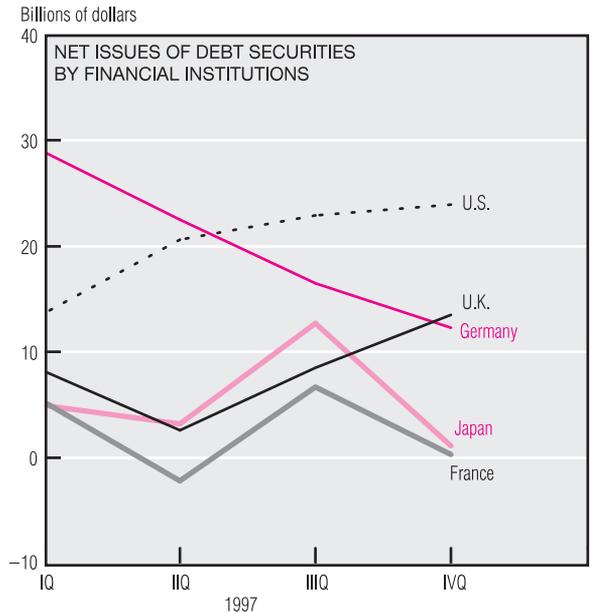
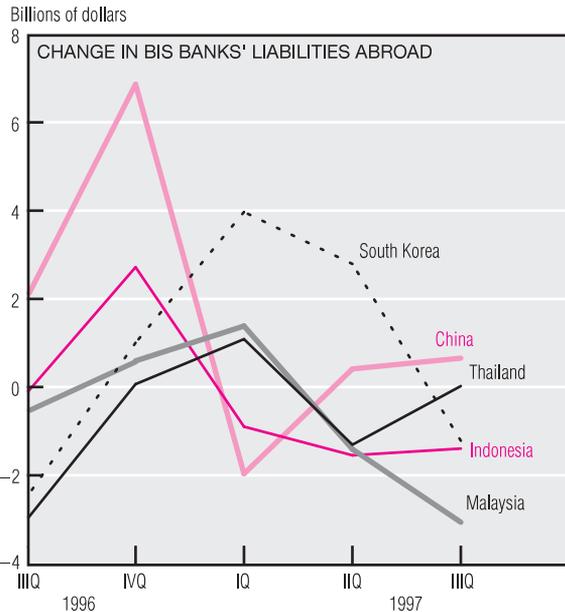
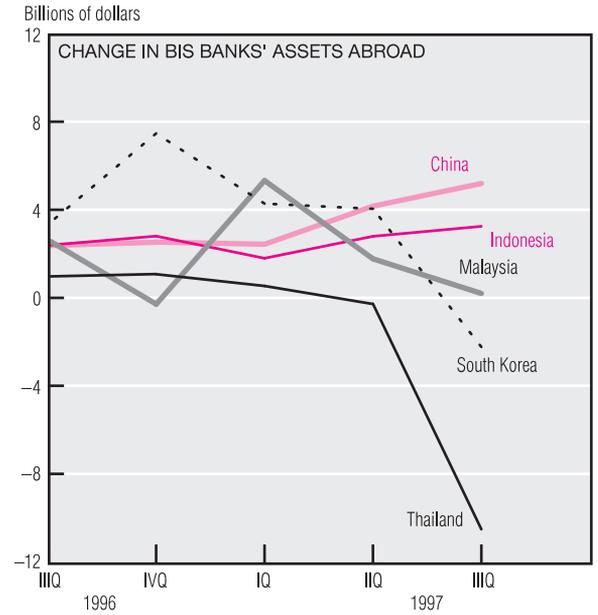
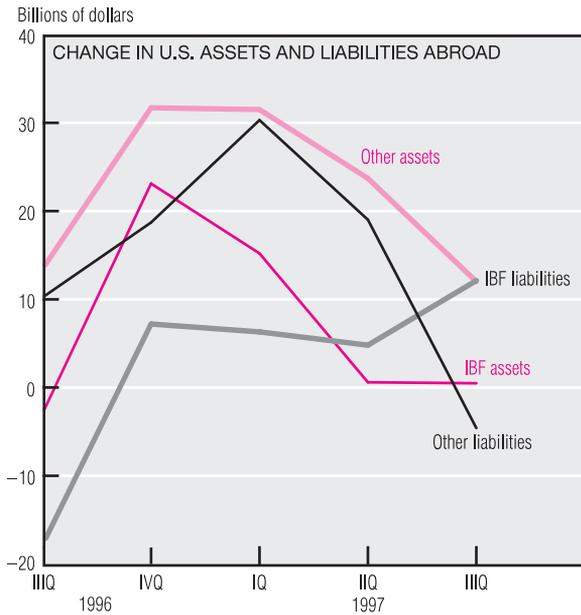


International Banking Developments



NOTE: All data series have been adjusted for exchange rate changes.
 SOURCES: Bank for International Settlements, *Banking and Financial Market Developments*, various issues.

According to data released by the Bank for International Settlements (BIS), 1997:IIIQ saw a sharp decline in U.S. banks' external assets. BIS-reporting banks as a whole have been decreasing their external asset position since 1997:IQ. Liabilities, however, have been increasing for international banking facilities (IBFs), but decreasing for other U.S. banks. (The Federal Reserve System made IBFs possible in December 1981 to enable U.S. banks to conduct Euro-currency business at

home without being subject to various domestic banking regulations.) Overall, external liabilities for BIS-reporting banks have decreased sharply since 1997:IIQ.

The third quarter of 1997 was the first time in six years that BIS banks' outstanding claims decreased on Asia as a whole, although claims on China and Indonesia grew. The sharpest decline in BIS banks' assets occurred in Thailand, as the result of a Japanese withdrawal. BIS banks' liability positions increased in Thailand, Indonesia, and

China, but decreased in South Korea and Malaysia.

Net issues of international debt securities by U.S. and U.K. financial institutions increased in 1997:IVQ, bucking the trend set by France, Germany, and Japan. Repayments of past issues reached a new high for BIS banks as a whole, contributing to a decline in net issues. New issues of lower-rated securities and subordinated debt declined dramatically as a result of difficulties in Southeast Asian financial markets.