The U.S. banking industry shows the impact of financial markets’ increasing globalization. Despite some loss of market share since 1991, foreign banks remain important competitors in the U.S. Their total assets have risen steadily since 1975, more than trebling their share of U.S. banking assets from 5.3% to 19.8%, but still down from the peak of 22.6% at the end of 1991.

Similar patterns are apparent in foreign banking organizations’ market shares of loans and deposits. Their total loan holdings rose from $29.9 billion in 1975 to $631.0 billion at the end of 2005, more than doubling their share. Foreign banks’ 11.8% share of U.S. loans at the end of 2005 marked a 37% decline in their market share from its 1991 peak of 18.9%. Much like their total loans, foreign banks’ 1992 peak business loan market share has been eroded by more than a third. On the other hand, they increased their holdings of business loans from $19.9 billion in 1975 to $241.4 billion by December 31, 2005, more than doubling their share of U.S. business loans. Given the nature of the lending process and the importance of established relationships with customers, it is not surprising that foreign banking organizations’ loan share has grown much more slowly than their share of total assets.

Finally, foreign banking organizations’ 16.2% share of deposits confirms that they are important competitors in the U.S., but recent trends suggest that the domestic industry is equal to the challenge posed by foreign competition.