



The

International

Banking

Handbook

William H. Baughn

Donald R. Mandich

The International Banking Handbook

Edited by

WILLIAM H. BAUGHN

Dean, Graduate School of Business Administration
University of Colorado
Boulder, Colorado

and

DONALD R. MANDICH

Chairman
Comerica, Incorporated
Detroit, Michigan

DOW JONES-IRWIN

Homewood, Illinois 60430

© DOW JONES-IRWIN, 1983

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

From a Declaration of Principles jointly adopted by a Committee of the American Bar Association and a Committee of Publishers.

ISBN 0-87094-303-0

Library of Congress Catalog Card No. 82-73620

Printed in the United States of America

1 2 3 4 5 6 7 8 9 0 K 0 9 8 7 6 5 4 3

Preface

During the last several decades, international banking has undergone continuous and substantive change. Until 1960 most of the international banking functions in the United States were performed by relatively few money center banks, and a large part of that business was carried on through correspondent bank relationships abroad. The rapid expansion of U.S. corporations into the multinational arena and the corresponding growth in the market for international financial services further impacted the international banking activities of U.S. banks. Beginning in the mid-1960s there was a stampede by money center, as well as regional, banks to establish a presence abroad. And although all of those moves were not productive, the nature of the international banking scene and the manner in which U.S. banks participated were drastically altered.

While American banks were rapidly expanding internationally, they were in fact participating in a much larger worldwide movement in which world-class banks evolved in many of the world's money centers. Head-on competition resulted in major American banks establishing a presence in a number of the major financial centers of the world. Larger banks of other nations competed for a significant share of the banking business of American multinational corporations. In addition, foreign banks followed their customers into U.S. domestic markets and today are actively engaged in expanding their banking business into the retail markets of this country.

The U.S. commercial banking system used a wide variety of approaches to world markets and developed variations in the way it delivers international banking services. Intense competition also led to a continuing pattern of change in the organizational patterns of banks. Hence, it is difficult to generalize on the many aspects of the international banking business.

This first publication of an international banking handbook demonstrates that the series of events which created a radically new international banking market have crystallized and matured to the point where the components can be reasonably described. Since the prepara-

tion of the bulk of the material within this text, prolonged worldwide recession and high oil prices have placed heavy strains on the capacity of a number of countries to service their external indebtedness. Although this does not alter the techniques and principles involved in international banking, it suggests that the industry will have some aspects that will differ from the patterns of the last few decades.

We have attempted to organize the book around the major issues and functions involved in international banking. The authors of the various chapters have been selected because of their extensive personal experiences in their subject areas and the perspectives that each can offer on the given topic. We are grateful to all of the authors for taking time from very demanding schedules to make their contributions to this handbook.

William H. Baughn
Donald R. Mandich

Contributing Authors

- Lester D. Anderson, Jr.** Vice President, Chemical Bank, New York, New York.
- H. G. Ashton** Director, J. Henry Schroder Wagg & Co. Limited, London, England.
- Paul H. Austin** Senior Vice President, Citibank, N.A., New York, New York.
- Leonard A. Back** Vice President, Citibank, N.A., New York, New York.
- Robert R. Bench** Deputy Comptroller of the Currency for International Banking, Washington, D.C.
- Milton E. Berglund, Jr.** Vice President, Mellon Bank, N.A., Pittsburgh, Pennsylvania.
- David E. Bodner** President, Baer American Bank Corporation, New York, New York.
- John Patrick Casey** Partner, Peat, Marwick, Mitchell & Company, New York, New York.
- John M. Chalk** Vice President, Wachovia Bank and Trust Company, N.A., Winston-Salem, North Carolina.
- Joseph A. Collieran** Vice President, Irving Trust Company, New York, New York.
- Horst Duseberg** Executive Vice President, European American Bank, New York, New York.
- Jose D. Epstein** Manager, Plans and Programs Department, Inter-American Development Bank, Washington, D.C.
- Stephen C. Eyre** Senior Vice President-Secretary, Citibank, N.A., New York, New York.
- James R. Greene** President, American Express International Banking Corporation, New York, New York.
- John C. Haley** Executive Vice President, The Chase Manhattan Bank, N.A., New York, New York.
- William F. Hamlet** Vice President, Wachovia Bank and Trust Company, N.A., Winston-Salem, North Carolina.
- Aidan H. F. Harland** Darien Consulting Group, Darien, Connecticut.
- C. Keefe Hurley, Jr.** Vice President and General Counsel, Shawmut Corporation, Boston; Massachusetts.
- Clark H. Hutton** Simpson, Thacher & Bartlett, New York, New York.
- Daniel T. Jacobsen** Chief Auditor, Citibank, N.A., New York, New York.

- Earl I. Johnson** Assistant Vice President, Harris Trust and Savings Bank, Chicago, Illinois.
- James L. Kammert** Executive Vice President, Equibank, Pittsburgh, Pennsylvania.
- Robert Keenan** President, Foreign Credit Insurance Association, New York, New York.
- William J. Korsvik** Senior Vice President (Retired), The First National Bank of Chicago, Chicago, Illinois.
- Christopher M. Korth** Associate Professor of International Business, University of South Carolina, Columbia, South Carolina.
- Leonard A. Lipson** Senior Manager, Peat, Marwick, Mitchell & Company, New York, New York.
- Donald R. Mandich** Chairman, Comerica, Incorporated, Detroit, Michigan.
- Donald R. Marsh** Senior Vice President, Rainier National Bank, Seattle, Washington.
- Arthur H. Meehan** Executive Vice President, Bank of New England, N.A. Boston, Massachusetts.
- Alfred F. Miossi** Executive Vice President, Continental Illinois National Bank and Trust Company, Chicago, Illinois.
- Phillip G. Moon** Senior Vice President, National Bank of Detroit, Detroit, Michigan.
- Albert F. Naveja** Vice President, Harris Trust and Savings Bank, Chicago, Illinois.
- Frank W. Nee** Senior Executive Vice President, Private Export Funding Corporation, New York, New York.
- M. C. Nelson** Partner, Ernst and Whinney, Cleveland, Ohio.
- Denis Newman** Managing Director, The First Boston Corporation, New York, New York.
- A. D. Orsich** General Manager, Treasury Division, Standard Chartered Bank Limited, London, England.
- Karl M. Parrish** Chairman, Manufacturers Hanover Leasing Corporation, New York, New York.
- David L. Pflug, Jr.** Vice President and Regional Manager, Manufacturers Hanover Corporation, New York, New York.
- Don A. Resler** Vice President, First National Bank of Chicago, Chicago, Illinois.
- David H. Riley** Joint Managing Director, Tullett and Riley International Limited, London, England.
- David Rockefeller** Chairman (Retired), The Chase Manhattan Bank, N.A., New York, New York.
- Louis G. Schirano** Vice President, Bankers Trust Company, New York, New York.
- Barnard Seligman** Lubin Graduate School of Business, Pace University, New York, New York.
- James B. Sommers** Executive Vice President, North Carolina National Bank, Charlotte, North Carolina.
- E. C. Stone** Executive Vice President, First American Bank, N.A., Nashville, Tennessee.

- Stewart E. Sutin** Vice President, The First National Bank of Boston, Boston, Massachusetts.
- Keigo Tatsumi** Deputy President, The Sanwa Bank Limited, Tokyo, Japan.
- Harry Taylor** President, Manufacturers Hanover Corporation, New York, New York.
- Turhan Tirana** General Manager, Pittsburgh International Bank, Pittsburgh, Pennsylvania.
- Sheila Trifari** Senior Vice President and General Manager, International Division, Southeast Bank, N.A., Miami, Florida.
- Charles F. Turner** Senior Vice President, Comerica Bank, Detroit, Michigan.
- J. Antonio Villamil** Vice President and Chief International Economist, Southeast Bank, N.A., Miami, Florida.
- Johann Wendt** Vice President, Comerica Bank, Detroit, Michigan.
- Allen S. Whiting** Professor of Political Science, University of Arizona, Tucson, Arizona.

Contents

SECTION 1 The International Financial System

1. International Financial Markets 3
Christopher M. Korth
The Major Markets: *The London Markets. The U.S. Markets. Other Major Financial Markets.* The Structure and Size of International Financial Markets: *The Foreign Sector of Domestic Markets. The Euromarkets. The Eurobond Market. Other Euromarkets.*
2. The Eurocurrency Market 16
Christopher M. Korth
The Essence of Eurocurrencies: *Time Deposits. Eurocurrency. Informal Markets. Eurobanks. Transfer of Eurocurrencies.* Eurocurrency Deposits: *The Size of the Euromarkets. Depositors.* Attractions of Eurocurrency Markets: *Freedom from Controls. Attractions to Borrowers. Attractions to Banks.* Euro-Investments: *The Currency of Investment. Types of Investments. Lending Rates. Destruction of Eurocurrencies.*
3. The Development of International Banking by the United States 35
John C. Haley and Barnard Seligman
A Brief History of International Banking. Reasons for Growth. Forms of International Banking. The Impact of U.S. International Banking.
4. The Role of Foreign Banks in International Banking 47
Johann Wendt
Brazil. Canada. COMECON Countries. Germany. Hong Kong. Italy. Japan. Korea. Kuwait. Mexico. Singapore. Spain. Switzerland. United Kingdom. Venezuela.

SECTION 2

International Credits

5. **The Overall Role of the International Banker and Key Considerations in Lending** 73
Harry Taylor and David L. Pflug, Jr.
 Introduction. International Banking Today. Key Considerations in Lending: *The Borrower. Cross-National Risk. Purpose. Foreign Currency Lending. Other Considerations.*
6. **Country Risk Analysis—Noneconomic Factors** 85
Allen S. Whiting
 Introduction: Internal Factors: *The Political System. National Cohesion. Political Geography. Traditional Values. External Threat and Leadership Ability.* External Factors: *Political Geography. Traditional Relations.* Internal-External Interaction.
7. **Country Risk Analysis—Economic Considerations** 102
Sheila Trifari and J. Antonio Villamil
 The Basic Premises of Economic Risk Analysis: An Offshore Lender's Perspective. Analyzing Key Economic Risk Factors: *Adequacy of the Resource Base. Quality and Effectiveness of the Economic and Financial Management Process. Indicators of External Financial Position.*
8. **Bank-to-Bank Lending** 117
Phillip G. Moon
 Assessing and Managing Risks: *Country Analysis. Knowledge of a Country's Banking System. Analyzing Individual Banks. Financial Statements. Marketplace Reputation. Officer Visits.* Credit Facilities. Risks and Rewards.
9. **Government Borrowing in the International Financial Markets** 129
James R. Greene
 Introduction. Dimensions of Euromarket Borrowing. Sovereign Lending: *Purposes of Government Borrowing. Recent Trends with Particular Reference to U.S. Banks.* Risks in Lending to Governments: *Country Risk. Differentiating between Government Borrowers. Direct Political Considerations.* Credit Availability: *Creditworthiness Indicators. Market Conditions.* The Default Record: *Historical Experience. Recent Experience. Sovereign Immunity. Protection. Problems of Successful Protection.*
10. **Project Financing** 161
Louis G. Schirano
 Defining Project Financing. The Nature of a Project. Evaluation of the Project. Risk Analysis and Financing. The Role of the Project Advisor.

-
- 11. International Leasing** **173**
Karl M. Parrish
International Leasing. Bank-Affiliated Leasing Companies. Considerations in Establishing a Foreign Operations Network. International Leasing-Product Profile. Future Prospects.
- 12. Tanker and Shipping Loans** **183**
Lester D. Anderson, Jr.
Introduction: *Definition of Breadth. Specialization.* The Tanker Market: *Operations. Economics. Employment.* The Analysis: *Introduction. The "3 X 5 Card." Company Analysis. Project Analysis. Summary and Recommendation.* Structuring the Loan: *The Outline of Terms.* Documentation. Appendix I. Appendix II.
- 13. Security Underwriting and Syndicated Loans** **204**
Denis Newman
The International Bond Market. Foreign Bond Markets: *The Foreign Dollar (Yankee) Bond Market.* Syndicated Eurocurrency Credits.
- 14. Foreign Currency Loans and Eurocurrency Markets** **223**
Horst Duseberg
Introduction. Interest-Rate Structure of the Eurocurrency Market. Funding a Foreign Currency Loan. Uses of the Eurocurrency Market. Eurocurrency Loan Agreement. Prepayment of Foreign Currency Loans. Long-Term Loans. Operations. Appendix.
-

SECTION 3**International Banking Services**

- 15. Commercial Letters of Credit** **239**
Joseph A. Colleran
Functions of Letters of Credit. Import Letters of Credit. Export Letters of Credit. Amendments. Discrepancies in Documents. Foreign Currency Letters of Credit.
- 16. Bankers' Acceptances** **252**
John M. Chalk and William F. Hamlet
Eligibility. Import and Export Transactions. Transactions Involving Goods in Transit. Transactions Involving Goods in Storage. Transactions for Dollar Exchange. Elements of Cost for the Borrower. Advantages/Disadvantages for the Borrower. Acceptances Provide Opportunity for Banks. Benefits to Banks. Bank Organization and Marketing. Conclusion: *Transaction.*

-
- 17. International Collections** **270**
Leonard A. Back
- Exporters' Options for Payment: *Cash Advance Terms. Letter-of-Credit Terms. Open Account Terms. Collection Terms.* Collection Drafts: *Sight or Usance Drafts. Understanding Draft Terms. Checks for Collection. Clean and Documentary Drafts.* Collection Instructions for the Bank: *In Case of Dishonor. Remittance of Proceeds. Who Pays Bank Fee. Protest Instructions. Hold for Arrival of Merchandise. Provisional Deposit. Discount or Interest. In Case of Need. Legal Action. Principal/Agent Relationship.* Shipping Documents: *Commercial Invoice. Bill of Lading. Insurance Certificate or Policy. Consular Invoice or Customs Invoice. Inspection Certificate.* Collection Process for Exporters: *Agree on Terms. Effect Shipment. Dispatch Collection to the Bank. Receive Advices/Give Instructions. Receive Payment.* Drafts for Negotiation or Purchase: *Uniform Rules for Collections. Collections for Importers. Appendix.*
- 18. Funds Transfer and Corporate Cash Management** **290**
Don A. Resler
- Introduction. Cross-Border Transfers. Corporate Cash Management Considerations.
- 19. Merchant Banking** **299**
H. G. Ashton
- Introduction. Commercial Banking. Corporate Finance Services: *New Issues. Mergers and Acquisitions. General Financial Advice.* Investment Management. Project Finance: *Commercial Project Finance. Export Credit. Advisory Work.* Other Services: *Currency Management. The Future.*

SECTION 4

Foreign Exchange

- 20. A General Description of Foreign Exchange Transactions and Functions** **319**
Arthur H. Meehan
- Why Foreign Exchange? What Is Foreign Exchange? Foreign Exchange as Money. Foreign Exchange as a Commodity: *The Cash Transaction. The Commodity Transaction. The Import-Export Transaction. The Corporate Transaction. The Financial Transaction. The Professional Arbitrage Transaction. The Speculative Transaction.*
- 21. The Major Foreign Exchange Markets** **331**
David E. Bodner
- Market Participants. Mechanics of Foreign Exchange Trading. Currencies Traded. The Where and When of Foreign Exchange Markets. The Operation of the Major Markets.

- 22. Exchange of Minor Currencies and Special Exchange Systems** 348
Earl I. Johnson
 Introduction. Characteristics of Minor Currency Markets. Exchange Rate Arrangements and Policies. Special Drawing Right (SDR). European Secondary Currencies: *Scandinavian Currencies. Spanish Peseta. Greek Drachma. Portuguese Escudo. Austrian Schilling. Irish Pound.* Mideast and African Currencies: *Saudi Arabian Riyal. Kuwaiti Dinar. South African Rand.* Asian Currencies: *Hong Kong Dollar. Singapore Dollar. Australian Dollar. New Zealand Dollar. Malaysian Ringgit. Indian Rupee.* Latin American Currencies: *Mexican Peso. Brazilian Cruzeiro. Argentine Peso. Venezuela Bolivar.*
- 23. Foreign Exchange and International Money Broking** 362
David H. Riley
 A Backward Glance. How Do Brokers Operate in the Foreign Exchange and International Currency Deposit Markets? How Does the Bank Dealer Operate? Dealer-Broker Interaction. Settlement Procedures for Errors. Control and Supervision in London. The Broker as an Individual. Composition of a Broker's Office: *London. Overseas. Continental Brokers.* Introducing New Banks to the International Market. Long-Term Prospects for Brokers. Market Custom, Practice, and Ethics. Possibilities for the Future: *Direct Dealing. Central Clearing Houses. Reuters Proposed System.*
- 24. Managing the Exchange Risk** 373
Donald R. Mandich
 Policies. Procedures and Controls. Special Problems.
- 25. Multicurrency Reserve Assets** 379
A. D. Orsich
 Introduction: The Evolution of Currency Baskets. Special Drawing Rights. A European Counterpart: The ECU. The Performance of the SDR and the ECU. Marketability. The Mechanics of Multicurrency Business. Other Currency Baskets.

SECTION 5

Special Institutions and Programs

- 26. The Export-Import Bank of the United States** 393
Turhan Tirana
 Introduction. Exposure. History. Congressional and Public Relations. Competition. Eximbank Programs: *Direct Credits. Supplier Credits. Medium-Term Guarantees. Discount Loans. The Future.*

- 27. Foreign Credit Insurance Association** 410
Robert Keenan
- FCIA—History and Organization. Benefits of FCIA Coverage: *Insurance Protection. Financing Assets. Marketing Tool. Benefits to Commercial Banks.* Coverage: *Products Covered and Terms Extended.* Overview of Policies. Multibuyer Policies: *The Master Policy. Short-Term Comprehensive. Buyer Credits. Supplier Credits. Agricultural Commodities Program. Procedure for Approval of Limits. Prequalified Foreign Banks. Premium. Small Business Policy. The Services Policy.* Single Buyer Policies: *Medium-Term Single Sales (MTS). Medium-Term Repetitive (MTR). Short-Term-Medium-Term Combination Policy (MSC).* Political Only Policies. Special Coverages: *Nonacceptance. Preshipment Coverage. Consignment Coverage. Assignments. Claims.*
- 28. Private Export Funding Corporation** 428
Frank W. Nee
- Introduction and Summary. Origin and Relationship with Eximbank. Lending Operations: *General Characteristics. PEFCO's Fixed Interest Rate. Deferred Pricing. Commitment Fee. When and How to Approach PEFCO for an Offer. Loan Agreements and Other Documents. Disbursement Procedures.* PEFCO's Loan Purchase Program (LPP). How PEFCO Funds Itself. DISCs And PEFCO's Debt Obligations.
- 29. Overseas Private Investment Corporation** 436
James L. Kammert
- Purpose and Background. Operations and Resources. Organization and Policies. Basic Insurance Definitions. Basic Insurance Coverage. Basic and Special Program Costs. Special Insurance Coverages. Insurance Application Procedure. Finance Programs. Contacting OPIC. Future Trends.
- 30. The World Bank Group** 462
James L. Kammert
- Introduction. History and Purpose. Organization. Operating Method. International Relations and Coordination. Co-Financing Program. Research and Information Services. Treasury Functions and Future Trends.
- 31. International Finance Corporation** 486
James L. Kammert
- Introduction. Financial Resources and Operational Scope. Organization, Management, and Staff. Investment Policies. IFC's Catalytic Role. Technical Assistance and Financial Services. Future Trends. Contacting IFC.

32. Inter-American Development Bank 503

Jose D. Epstein

Introduction. Origins: *A Multipurpose Approach. A Bank for Inter-American Development.* Membership, Purpose, and Organization: *Membership. Purpose and Functions. Levels of Authority. Institutional Features. Development Role. Latin America's Economic Integration.* Resources: *The Capital Resources. The Fund for Special Operations. Other Funds. Mobilization of Other Resources. Two-Way Benefits.* The Bank's Lending: *Project Supervision. Procurement. Achievements.* Outlook for the 1980s.

33. Regional Development Agencies 522

Keigo Tatsumi

Asian Development Bank—ADB Manila, The Philippines: *History. Membership. Sources of Funds. Activities. Record of Accomplishments.* African Development Bank—AfDB Abidjan, Ivory Coast: *History. Membership. Sources of Funds. Activities. Record of Accomplishments.* African Development Fund—AfDF Abidjan, Ivory Coast: *History. Membership. Sources of Funds. Activities. Record of Accomplishments.* European Investment Bank—EIB Luxembourg: *History. Membership. Sources of Funds. Activities. Record of Accomplishments.* European Development Fund—EDF Brussels, Belgium: *History. Membership. Sources of Funds. Activities.* Islamic Development Bank—Jedda, Saudi Arabia: *History. Membership. Sources of Funds. Activities. Record of Accomplishments.* Private Investment Company for Asia (PICA) S. A. Registered Head Office—Panama City, Panama Operating Headquarters: Singapore: *History. Shareholders. Sources of Funds. Activities. Record of Accomplishments.* Export-Import Bank of Japan—Tokyo, Japan: *History. Sources of Funds. Activities. Record of Accomplishments.* Export Development Corporation—EDC Ottawa, Canada: *History. Sources of Funds. Activities. Record of Accomplishments.* Export Credits Guarantee Department—ECGD London, United Kingdom: *History. Sources of Funds. Activities. Record of Accomplishment.*

SECTION 6

Approaches to World Financial Markets

34. Correspondent Banking 547

Albert F. Naveja

Reimbursement Banks. Credit Related Correspondent Relationships: *Letters of Credit. Acceptances. Money Market Credits. Special-Purpose Letters of Credit.* Noncredit Services: *Payments. Clearings. Collection. Foreign Exchange Services. Documentation of the Correspondent Relationship.* Trade Development and Business Referrals.

35. Foreign Branches	557
<i>Donald R. Marsh</i>	
Introduction. Reasons for Establishing Branches. Activities of Foreign Branches. Problems. The Future.	
36. Foreign Affiliates and Subsidiaries	580
<i>Stewart E. Sutin</i>	
Pre-Investment Considerations: <i>Strategic Planning. Feasibility Study. Equity Investment Options.</i> Managing Foreign Investment Vehicles.	
37. Representative Offices	594
<i>Milton E. Berglund, Jr.</i>	
Definition. Basic Rationale. Conditions Precedent to Opening. Setting Out a Defined Business Strategy. Normal Activities and Responsibilities of the Representative. Variation—A Regional Representative Office. Selection of the Representative Office Personnel. Representative Offices—An Interpretive Evaluation.	
38. Edge Act and Agreement Corporations	603
<i>E. C. Stone</i>	

SECTION 7
Managing International Banking Activities

39. Internal Organization and Personnel	615
<i>Charles F. Turner</i>	
Introduction. Traditional Structure. Functionally Integrated Structure. Choosing the Appropriate Structure. Staffing the International Function.	
40. Marketing International Services	624
<i>Aidan H. F. Harland</i>	
Developing Marketing Plans. Developing Account Plans. Trip Organization. Selling Techniques—Personal Level. Withholding Tax Policy. Direct Mail and Advertising Assistance. Sales Training. Appendix.	
41. Managing International Funding and Liquidity	644
<i>Paul H. Austin</i>	
International Flow of Funds. Multicurrency Funding. Domestic and Offshore Markets. Liquidity. Risks Associated with Gapping. Managing the Interest-Rate Risk under Gapping. Managing Liquidity Risk under Gapping.	

42. Accounting and Internal Controls	656
<i>M. C. Nelson</i>	
International Banking Operations. Internal Control. Cash and Due from Banks. Lending. Foreign Exchange Trading. Foreign Currency Translation. Income Taxes. Foreign Corrupt Practices Act of 1977. Other Reference.	
43. Fundamental U.S. Taxation of International Banking Operations	674
<i>John Patrick Casey and Leonard A. Lipson</i>	
Overview. The Foreign Tax Credit: <i>Direct Foreign Tax Credit. Indirect Foreign Tax Credit. Creditable Foreign Income Taxes. "In Lieu" Foreign Taxes. Limitations on Use.</i> Source of Income: <i>Interest Income. Dividends. Personal-Services Income. Rental and Royalty Income. Gain from the Disposition of a U.S. Real Property Interest. Gains from the Sale or Exchange of Personal Property. Underwriting Income. Other.</i> Allocation and Apportionment of Deductions: <i>General Concepts. Interest Expense. Research and Experimental Expenditures. Stewardship and Other Service Expenses. Legal and Accounting Fees. Income Taxes. Net Operating Loss Deduction. Losses from Property Transactions. Other Deductions.</i> Blocked Foreign Income. Foreign Branch Translations. Controlled Foreign Corporations: <i>Taxation of Operations. Dispositions.</i> Minimum Tax for Tax Preferences. U.S. Employees Working Abroad. Transactions in Foreign Currency: <i>General Rules.</i>	
44. Audits and Examinations	710
<i>Stephen C. Eyre and Daniel T. Jacobsen</i>	
Internal Audits: <i>Independence. Monitoring Controls. Reporting. Organization and Staffing. Credit Review. External Auditors. Supervisory Examinations.</i> Auditing International Banking Activities: <i>Scope of Overseas Business. Regulation and Accounting Practices. Host-Country Cultures. Investment Banking. Automation.</i> Organization of Overseas Auditing. External Auditing and Examination Overseas: <i>Outside Auditors. Regulatory Examinations.</i>	

SECTION 8
Legal and Regulatory Framework for International Banking

45. Legal Constraints within the United States	723
<i>Clark H. Hutton</i>	
Introduction. Legal Constraints Affecting Costs to Banks. Legal Constraints Affecting the Activities of Banks.	
46. Legal and Regulatory Constraints within Other Countries	734
<i>William J. Korsvik</i>	
Introduction. Classification of Restrictions. Entry Restrictions: <i>Other Effective Barriers.</i> Operating Restraints.	