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Taeho Kim

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Preface

This book is intended as a textbook in international money, banking, and finance and is based on lecture notes originally developed for a one-semester course in international banking at the American Graduate School of International Management. It has evolved as a cumulative result of over a decade of teaching and research in this field.

Despite the fact that the money and banking markets in individual countries are becoming increasingly interdependent, we find that most textbooks in the field treat the subject matter as if each economy were a closed one. Even when international topics are incorporated, at least in some books, it is often done seemingly in an afterthought fashion.

This book is suitable for use as a textbook in an MBA-level course in international money and banking. It is also suitable for a course in international finance offered by Economics Departments if Chapters 3, 10, 11, 12, 13, and 14 are omitted. In addition, it may serve as a reference book for bankers and financiers who wish to become familiar with some analytic treatment of topics and techniques in this field. As for prerequisites, some basic understanding of money and banking is helpful. Calculus is marginally used in Chapters 2, 4, 7, and 12, although it is by no means necessary to understand the topics conceptually.

In developing the original set of notes into a book, I had two general objectives in mind. The first was to produce a reasonably self-contained money and banking textbook with an international dimension. For this purpose, I have introduced a summary of closed-economy topics at the beginning of some chapters, where necessary. Such chapters then proceed to concentrate more on international topics.

My second objective, sometimes difficult to reconcile with the first because of the need to allocate limited pages among competing topics, was to produce a book which incorporates recent significant developments in international banking as much as possible. Yet, special attention has been paid in order not to exclude important traditional topics.

This book reflects many suggestions and insights provided by numerous bankers and economists in the field. The initial insights on the actual

workings of the international banking market were provided by guest speakers who participated in the three-week International Banking Conferences which were organized as special winter courses under the auspices of the Bankers' Association for Foreign Trade. In each conference which I coordinated for three years (1982–4), over twenty speakers participated, including people from major multinational banks, the IMF, the World Bank, and the US bank regulatory agencies. I also had opportunities to visit London financial institutions, as well as foreign branches and offices of various countries of origin in Hong Kong, Singapore, Seoul, and Beijing. Over several years, I also benefited from seminars and programs in international banking at Baylor University, the University of Hawaii PAMI, and the University of Virginia Center for International Banking Studies, in which I participated as either a lecturer or a faculty fellow.

In writing this textbook, I realize that I owe a debt to the valuable graduate training in economics that I received at the University of Colorado under the Fulbright graduate fellowship program. I am also grateful for the conducive environment fostered at the American Graduate School of International Management, where I was able to initiate and experiment with an untested course in international banking over a decade ago and where I have received generous encouragement and research support, without which literally I could not have produced this book.

My greatest debt is to the students who took my course in international banking without a suitable textbook and suffered most. In addition, I am grateful to reviewers of my earlier drafts, who provided me with valuable comments, preventing me from falling into too much of an America-centric approach or into technical pitfalls. Of course, any remaining errors or imbalance in coverage are mine. I am also grateful to the Routledge editorial staff for their outstanding editorial help and advice. My special thanks go to Francesca Weaver and Jennifer Binnie.

Finally, I am deeply grateful to my wife Myong, daughter Grace, and son Edward for their enthusiasm, tolerance, and subtle pressure, without which the completion of this book might have been further away.

Taeho Kim
April 1993

Contents

<i>List of figures</i>	xi
<i>List of tables</i>	xiv
<i>Preface</i>	xvi

Part I Basics of money and banking in an open economy

1 Introduction to international money and banking	3
<i>Interdependence of the world economies</i>	3
<i>Money and banking in an open economy</i>	6
<i>The plan of the book</i>	8
<i>Methodological notes</i>	10
<i>Review problems and exercises</i>	10
<i>Basic reading</i>	11
<i>Further reading</i>	11
2 International capital movements	12
<i>Introduction</i>	12
<i>International capital movement and economic welfare</i>	12
<i>Short-term capital investment</i>	17
<i>International portfolio investment</i>	22
<i>Direct foreign investment</i>	23
<i>Summary</i>	27
<i>Review problems and exercises</i>	28
<i>Notes</i>	29
<i>Basic reading</i>	29
<i>Further reading</i>	30
3 International banking	31
<i>Introduction</i>	31
<i>The definition of a bank</i>	31
<i>Basics of international financial intermediation and the role of banks</i>	36
<i>Theories of international banking</i>	39

<i>Taxonomy of international banking</i>	47
<i>Summary</i>	51
<i>Review problems and exercises</i>	52
<i>Notes</i>	53
<i>Basic reading</i>	53
<i>Further reading</i>	54
4 International money	55
<i>Introduction</i>	55
<i>Functions of money</i>	55
<i>Construction of an exchange rate index</i>	60
<i>Types of international money</i>	65
<i>The optimum currency area</i>	86
<i>The Maastricht Treaty on the European Monetary Union</i>	88
<i>Summary</i>	90
<i>Review problems and exercises</i>	91
<i>Notes</i>	93
<i>Basic reading</i>	94
<i>Further reading</i>	95
5 Balance of international payments	96
<i>Introduction</i>	96
<i>Definitions and conventions</i>	96
<i>International transactions</i>	98
<i>Accounting balances of international transactions</i>	100
<i>Balance of payments equilibrium</i>	104
<i>The role of commercial banks</i>	108
<i>The relationship between current account and national income account</i>	109
<i>Summary</i>	116
<i>Review problems and exercises</i>	116
<i>Notes</i>	118
<i>Basic reading</i>	118
<i>Further reading</i>	119

Part II International money and exchange markets

6 Foreign exchange market structure	123
<i>Introduction</i>	123
<i>Physical characteristics of the markets</i>	124
<i>Exchange transaction methods</i>	129
<i>Foreign exchange market products</i>	130
<i>Foreign exchange rate quotations</i>	139
<i>Summary</i>	144
<i>Review problems and exercises</i>	144

<i>Notes</i>	146
<i>Basic reading</i>	147
<i>Further reading</i>	148
7 Foreign exchange rate and arbitrage	149
<i>Introduction</i>	149
<i>Foreign exchange rate determination</i>	149
<i>Foreign exchange market arbitrage</i>	158
<i>Foreign exchange dealing mechanics for banks</i>	165
<i>Foreign exchange services for customers</i>	170
<i>Summary</i>	173
<i>Review problems and exercises</i>	173
<i>Notes</i>	176
<i>Basic reading</i>	177
<i>Further reading</i>	177
8 Eurocurrency markets	179
<i>The definition and structure of the market</i>	179
<i>Development of the Eurodollar market</i>	183
<i>Instruments of the Eurodollar market</i>	188
<i>International banking centers</i>	189
<i>US international banking facilities</i>	191
<i>Is the Eurocurrency market inflationary?</i>	192
<i>Summary</i>	196
<i>Review problems and exercises</i>	197
<i>Notes</i>	198
<i>Basic reading</i>	199
<i>Further reading</i>	199
9 International financial innovations	201
<i>Conceptual framework for financial innovations</i>	201
<i>Interrelationship between changes in financial attributes</i>	207
<i>Types of market integration tools and implications for market participants</i>	208
<i>New financial tools for reallocation of risks</i>	211
<i>Implications of financial innovation for macroeconomic policy</i>	215
<i>Implications for the International Monetary Fund</i>	217
<i>Summary</i>	220
<i>Review problems and exercises</i>	221
<i>Notes</i>	221
<i>Basic reading</i>	222
<i>Further reading</i>	224
10 The US money and banking markets	225
<i>Introduction</i>	225

<i>The commercial banking market structure</i>	226
<i>Changing regulatory environments</i>	234
<i>Monetary policy and the role of commercial banks</i>	245
<i>Domestic money market and the role of commercial banks</i>	246
<i>Summary</i>	247
<i>Review problems and exercises</i>	248
<i>Notes</i>	249
<i>Basic reading</i>	249
<i>Further reading</i>	250
11 The UK money and banking markets	251
<i>The UK banking market</i>	251
<i>The UK money markets</i>	262
<i>London as an international financial center</i>	265
<i>Summary</i>	267
<i>Review problems and exercises</i>	268
<i>Notes</i>	269
<i>Basic reading</i>	270
<i>Further reading</i>	270
 Part III International bank regulation	
12 Analytic framework for international bank regulation	275
<i>The effect of international bank regulation on bank behavior</i>	275
<i>Classification of bank regulations by impact</i>	277
<i>Principles of international bank regulatory jurisdictions</i>	281
<i>Optimal international bank regulation</i>	285
<i>Summary</i>	287
<i>Review problems and exercises</i>	287
<i>Notes</i>	288
<i>Basic reading</i>	288
<i>Further reading</i>	289
13 The US regulation on international banking	291
<i>Introduction</i>	291
<i>The organization-oriented regulation</i>	292
<i>The activity-oriented regulation</i>	300
<i>The legislative history of the International Banking Act of 1978</i>	301
<i>Principles of the International Banking Act</i>	303
<i>The role of the "home state" and interstate banking</i>	305
<i>Banking regulation by type of banking facilities</i>	305
<i>Summary</i>	309
<i>Review problems and exercises</i>	310
<i>Notes</i>	311

	<i>Basic reading</i>	311
	<i>Further reading</i>	312
14	The EC regulatory framework for banking services	313
	<i>Introduction</i>	313
	<i>The EC macroeconomic integration process</i>	313
	<i>The EC regulatory framework for credit institutions</i>	316
	<i>Summary</i>	323
	<i>Review problems and exercises</i>	324
	<i>Notes</i>	324
	<i>Basic reading</i>	325
	<i>Further reading</i>	325
Part IV International banking activities		
15	International portfolio investment	329
	<i>Introduction</i>	329
	<i>Basic models of portfolio investment</i>	329
	<i>International diversification</i>	346
	<i>The role of commercial banks in international portfolio management</i>	351
	<i>Summary</i>	354
	<i>Review problems and exercises</i>	355
	<i>Notes</i>	356
	<i>Basic reading</i>	356
	<i>Further reading</i>	357
16	International trade finance	358
	<i>Introduction</i>	358
	<i>Methods of payment in international trade</i>	358
	<i>Export/import documentation and terms and conditions of sales</i>	363
	<i>International trade financing</i>	367
	<i>Alternative approaches to international trade financing</i>	374
	<i>Summary</i>	378
	<i>Review problems and exercises</i>	378
	<i>Notes</i>	380
	<i>Basic reading</i>	380
	<i>Further reading</i>	380
17	Country risk analysis, international lending, and debt rescheduling issues	381
	<i>Introduction</i>	381
	<i>Country risk analysis</i>	381
	<i>International bank lending</i>	388
	<i>Debt rescheduling issues</i>	397

<i>Summary</i>	405
<i>Review problems and exercises</i>	405
<i>Notes</i>	407
<i>Basic reading</i>	407
<i>Further reading</i>	408
<i>Index</i>	409

Figures

1.1 Monetary and fiscal policy processes	7
2.1 International capital flows and income redistribution	12
2.2 An interest rate arbitrage mechanism	17
2.3 Covered and uncovered interest rate differentials: an indicator of market efficiency	19
3.1 Dynamic comparative advantage in sourcing of banking services: (a) learning versus increasing returns to scale in foreign banking; (b) changes in relative advantage over time	43
4.1 The role of a key currency in international transactions	56
4.2 Monetary policy action taken by the key currency country	70
4.3 Monetary policy action taken by a non-key currency country	71
4.4 Gold price movements in comparison with commodity price and deutsche mark–dollar exchange rate movements	73
6.1 Foreign exchange market structure	128
6.2 Foreign exchange market time zones	129
6.3 Buying and selling rates with varying maturities	133
6.4 Currency options: (a) call option; (b) put option; (c) straddle option	136
6.5 Determination of currency options premium	138
6.6 Dealer's rate quotations: (a) individual dealer's bid and offer; (b) market supply and demand	143
7.1 Supply and demand functions of a currency (£): (a) supply and demand for a currency (£); (b) stable market; (c) unstable market	153
7.2 Interest rate parity diagram	160
7.3 A two-period term arbitrage mechanism	163
7.4 Equivalence of combined options and forward contract	164

7.5 Foreign exchange dealing mechanics: (a) forward market solution; (b) money market solution; (c) swap market solution	169
8.1 Eurodollar market structure	181
8.2 Determination of Eurodollar interest rates: (a) individual bank's supply of and demand for funds; (b) determination of equilibrium deposit and lending rates	186
9.1 Financial innovation as a process of removing production constraints	207
9.2 Financial innovation as a process of market integration	209
9.3 (a) Cap; (b) corridor; (c) collar	214
9.4 Equilibrium in international financial asset markets, real goods and service markets, and balance of payments account	217
12.1 Tax-like and quota-like restrictions: (a) banking-services exporting country; (b) banking-services importing country; (c) excess demand ($D_2 - S_2$) and supply ($S_1 - D_1$) in the banking-services importing country	280
12.2 Conflicting objectives of bank regulations	284
12.3 Optimal international bank regulation	286
13.1 Organizational setups for US banks engaged in international banking	293
13.2 Portfolio investment dollar limit	299
13.3 Type of banking facilities held by foreign banks in the United States	306
15.1 Relationship between the expected rate of return on a portfolio and portfolio risk: (a) selection of the optimal portfolio with indifference curves; (b) selection of the optimal portfolio with the market line	335
15.2 An efficient set of portfolios with foreign lending and domestic borrowing	339
15.3 The effect of number of assets in the portfolio on (a) unsystematic risk and (b) systematic risk	341
15.4 Security market line versus capital market line	343
16.1 International trade transactions and sources of risk	359
16.2 Different price quotations and title transfer points	366
16.3 Value of acceptance by banks	372
17.1 Determinants of external debt repayment	383
17.2 Classification of countries by debt service ratio and import cover	385
17.3 Classification of rescheduling and nonrescheduling countries: (a) case without type I and type II errors; (b) case with type I and type II errors	387

17.4 Balance of payments cycle and development loans	389
17.5 International loan syndication process	393

Tables

1.1	Openness of economies of sample countries	5
2.1	Redistribution of income due to international capital flows	15
2.2	Determination of optimal amount of foreign investment	16
2.3	Estimates of foreign debt and capital flight, 1974–82	21
2.4	Size of nonbank US multinational corporations	24
3.1	International bank assets by nationality of banks	39
3.2	The world's twenty-five largest banks	41
3.3	Banking activity matrix	47
3.4	Banking market matrix	48
3.5	Banking product line matrix	50
4.1	Weights of foreign currencies in indexes of the dollar's effective exchange rate	62
4.2	Summary characteristics of various exchange rate indexes for the US dollar	64
4.3	Types of international money	66
4.4	Official holdings of reserve assets	67
4.5	Definition of currency convertibility	68
4.6	Estimated market sources and uses of gold	72
4.7	Units of currencies in the special drawing rights basket	76
4.8	Computation of US dollar – special drawing right exchange rates	78
4.9	Computation of special drawing right interest rates	79
4.10	Currency composition of the ECU	82
5.1	Sources and uses of funds	100
5.2	Classification of 1990 US international transactions	102
5.3	1990 US balance of international payments	105
5.4	International indebtedness of low- and middle-income countries	115
6.1	Average daily turnover in foreign exchange markets	124
6.2	Foreign exchange futures contracts	133
6.3	An example of “marked-to-the market daily”	134
6.4	Contract sizes of currency options	135

7.1	Supply and demand for a currency	152
8.1	Eurocurrency composition of the positions of Bank for International Settlements reporting banks	182
8.2	International banking centers by country	190
9.1	Attributes of financial instruments and supply-demand for financial innovations	202
9.2	Examples of financial innovations	212
10.1	Size structure of banking organizations	226
10.2	Regulatory classification of commercial banks	228
10.3	Bank mergers guideline	233
10.4	Bank regulatory structures in the United States	240
10.5	Interstate banking legislation	244
11.1	Changing UK banking sector	252
11.2	British banking market structure	254
11.3	Comparison of market size among the three largest centers	266
12.1	Examples of restrictions on foreign banks	278
12.2	Banking facilities matrix	282
13.1	Major listed activities outside the United States	297
13.2	Permissible activities of foreign subsidiaries	298
14.1	List of activities subject to mutual recognition	320
15.1	Examples of covariance computations	331
15.2	Two-asset portfolios	333
15.3	Correlation of the gross domestic products of the Group of Seven countries	347
15.4	Risk and return on foreign government bond investment for US dollar investment and UK pound investment	349
15.5	Per capita gross national product growth rates	350
16.1	Relative advantages of alternative methods of payment	361
17.1	Syndication fee structure	395
17.2	Variations in terms and conditions in loan pricing	397

Part I

Basics of money and banking in an open economy
