

April 26, 1979

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Contract no.*

The Honorable Fernand J. St Germain
Chairman, Subcommittee on Financial
Institutions Supervision,
Regulation and Insurance
Committee on Banking, Finance and
Urban Affairs
U.S. House of Representatives

Dear Mr. Chairman:

On March 2, 1979, you requested that the General Accounting Office undertake a comprehensive review of [foreign bank activities in the United States and U.S. bank activities overseas] Your request encompasses two assignments which we were planning to undertake later this year. We are pleased to begin the work now.

The review you have requested is of such magnitude that we wanted to be certain that we could accomplish the task in a time which would be acceptable to the Subcommittee. So, we have been discussing the request with the Subcommittee staff and we have made initial contacts and started working with the agencies involved. Based on our discussions with your staff and the agencies, we believe that the Subcommittee's needs can be served by two reports: One on selected aspects of the request in August 1979 and a comprehensive report in February 1980.

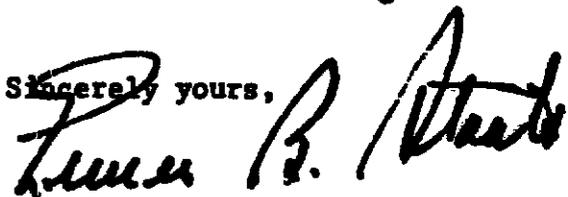
The first report will address questions 3 and 5 of your request and some matters related to question 8. You asked for the 10-year trend of foreign banking activity in this country. Based upon our prior work in this area, it is likely that information needed for such an analysis is not acceptable or of poor quality. Nevertheless, we will provide as complete and meaningful a trend analysis as is possible. We expect to work closely with the Department of the Treasury to avoid duplicating work it is required to do under section 9 of the International Banking Act of 1978. We will provide a status report on the Treasury's efforts in our report. Also, we plan to build on work on foreign investment monitoring we are doing for another committee.

The second report will address all of the issues and questions outlined in your request. To satisfy this objective we plan to:

- Review and evaluate information and studies on international banking issues available at SEC, DOC, OCC, FDIC, FRS, FHLBB, and other organizations as necessary.
- Conduct considerable work at the regional operations of OCC, FDIC, FRS and FHLBB located in New York, California, and Illinois.
- Review recent and current applications for foreign purchases of U.S. financial institutions.
- Review bank examination reports and examination procedures for foreign-owned or controlled banks and branches and savings and loans in the U.S.
- Analyze the International Banking Act of 1978 and the Financial Institutions Regulatory and Interest Rate Control Act of 1978 as they affect the entry, supervision, and operation of foreign banking operations in the U.S.
- Review any supervisory actions taken to obtain corrective action by foreign-owned or controlled banks and savings and loans.
- Review reports of examination for and supervisory actions against U.S. banks engaged in significant international activities.

We will keep you apprised of our progress on this effort. I trust the above will satisfy your request, and we look forward to working with you in the future.

Sincerely yours,



Comptroller General
of the United States