



**ECONOMIC BENEFITS TO THE UNITED STATES
FROM THE ACTIVITIES OF INTERNATIONAL BANKS**

February 2008

The Institute's mission is to help resolve the many special legislative, regulatory and tax issues confronting **internationally headquartered** financial institutions that engage in banking, securities and/or insurance activities in the United States.



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FOREWORD

The Institute of International Bankers (the “Institute”) represents internationally headquartered banks from 35 countries in connection with the U.S. legislative, regulatory, compliance and tax issues that affect their banking, securities and other financial activities in the United States. In connection with the ongoing public discourse on the international competitiveness of the United States, the Institute conducted a survey of its members to quantify the positive impact on the U.S. economy from the operations of international banks.¹ The survey updates the Institute’s earlier survey of its members ten years ago, the results of which were presented in a paper published by the Institute in December 1997 (the “1997 Study”).

A summary of the key findings of the current study is presented in the table on the following page.

¹ For ease of reference, we hereinafter refer to banks that are headquartered outside the United States as “international banks”. The methodology underlying the survey is discussed in Appendix 2. Except where otherwise noted, information obtained from the survey is as of December 31, 2006.



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PROFILE OF THE NATIONWIDE IMPACT OF INTERNATIONAL BANKS ON THE U.S. ECONOMY: KEY INDICATORS¹

	<u>Direct</u>	<u>Multiplier Effect²</u>	<u>Total</u>
Total Employees	249,579	826,900	1,076,479
Total Annual Operating Expenditures	\$57.5 billion	\$ 94.7 billion	\$152.2 billion
Capital Expenditures (Annual)	\$2 billion		
<i>Breakdown of Total Annual Operating Expenditures</i>			
Total Annual Payroll Expenses	\$37 billion		
Total Annual Occupancy Expenses	\$3.5 billion		
Total Other Annual Operating Expenses	\$16.7 billion		

¹ Based on the Institute of International Bankers' survey as of December 31, 2006 of the U.S. banking and nonbanking operations of international banks.

² Based on direct-effect multipliers developed by the U.S. Department of Commerce, Bureau of Economic Analysis (see Appendix 2). This data does not include jobs, output and income generated by loans and other extensions of credit made by international banks.



OVERVIEW

The growth of capital markets outside the United States during the last ten years has attracted the increased attention of U.S. policymakers and prompted several studies and thoughtful proposals in the past year on how to enhance the international competitiveness of U.S. financial markets, including ongoing consideration of various proposals to restructure the U.S. regulatory system. Much of the discussion regarding competitiveness focuses on enhancing the role of New York as the country's preeminent international financial center, a status that in part results from the extensive operations of international banks located there. As this dialogue goes forward, it is particularly important that attention be given to regulatory initiatives that both benefit domestically headquartered financial institutions and enhance the attractiveness of the United States to their internationally headquartered counterparts.

The need for sensitivity to the regulatory concerns of international banks is underscored by their significant presence in the United States. According to Federal Reserve data, banks from 60 countries conducted banking operations in the United States as of September 30, 2007.¹ Federal Reserve data summarized in Table 1 below on page 3 further show that as of that date international banks' total U.S. banking assets were equal to approximately \$2.42 trillion (according to the Federal Reserve share data, international banks' accounted for approximately 24.7 percent of total U.S. banking assets as of

¹ Further information regarding the geographic breakdown of the U.S. banking operations of international banks is presented in Appendix 1.



September 30, 2007 – see Table 4 below at page 12). In addition, international banks' U.S. nonbank subsidiaries had total assets of approximately \$3.28 trillion as of that date, a substantial portion of which (more than \$2.4 trillion) was held by securities broker-dealer subsidiaries.

Thus, the combined banking and nonbanking assets of the U.S. operations of international banks totaled almost \$5.7 trillion as of September 30, 2007, which is approximately \$800 billion greater than the amount of total assets they held as of September 30, 2006.² By way of comparison, Federal Reserve data show that the year-on-year increase in total assets (banking and nonbanking) for prior years – in each case, reported as of September 30 – was approximately \$641 billion (2005-06), \$581 billion (2004-05), \$497 billion (2003-04) and \$633 billion (2002-03).

Of the approximately \$5.7 trillion of total assets held as of September 30, 2007, approximately 87 percent were accounted for by banks headquartered in Europe, 7 percent by those headquartered in Canada or Latin America, and 5 percent by those headquartered in the Asia Pacific region – which is essentially the same as the regional breakdown as of September 30, 2006.

² Federal Reserve data indicate that as of September 30, 2006 the U.S. operations of international banks in the aggregate held assets equal to approximately \$4.9 trillion, of which approximately \$2.1 trillion were banking assets and \$2.8 trillion were nonbanking assets.



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TABLE 1

**ASSETS HELD BY U.S. BANKING AND NONBANKING
OPERATIONS OF INTERNATIONAL BANKS
AS OF SEPTEMBER 30, 2007
(\$ millions)**

REGION	BANKING ASSETS	NONBANKING ASSETS	TOTAL ASSETS
EUROPE	1,833,223	3,124,176	4,957,399
AMERICAS	274,568	139,519	414,087
ASIA PACIFIC	289,011	14,482	303,493
OTHER	24,748	12	24,760
TOTAL	2,421,550	3,278,189	5,699,739

Source: Federal Reserve Board

Such large asset numbers translate into significant financial benefits for the United States. International banks provide significant amounts of credit to businesses in every state, as well as to federal, state and local governments, thereby enhancing the depth and liquidity of the U.S. wholesale financial markets and promoting business activity and economic development throughout the country.

International banks' extensive physical presence in the United States also has important economic benefits. The Institute's survey demonstrates that international banks operate in all 50 states and provide substantial direct benefits to the U.S. economy in terms of jobs and related payroll expenditures, along with other operating and capital expenditures. The expenditures of international banks to establish and maintain their



U.S. operations and activities stimulate the U.S. economy generally and benefit a broad range of industries, including real estate and construction, manufacturers of computer hardware and software, and legal, accounting and other professional services.

**THE ECONOMIC IMPACT:
EMPLOYMENT AND EXPENDITURES**

Nationwide Employment. The Institute's survey determined that the U.S. operations of international banks directly employed nearly 250,000 people nationwide as of December 31, 2006. Of this total, we estimate that approximately two-thirds were involved in banking operations (including depository institution subsidiaries and U.S. branches, agencies and representative offices, as well as consumer and commercial finance operations) and one-third were employed in nonbanking operations (principally, securities-related activities, including broker-dealers and investment advisers).

Significantly, the vast majority of employees of the U.S. operations of international banks are U.S. citizens or permanent residents rather than expatriates from the banks' home countries. Based on the results of the survey, we estimate that as of December 31, 2006, on average almost 99 percent of international banks' employees in the United States were U.S. citizens or permanent residents. In addition to the fact that U.S. persons are generally more familiar with the U.S. banking market, the cost of bringing expatriates to this country provides a strong incentive for international banks to hire U.S. persons.

Nationwide Operating Expenditures. The Institute's survey also shows that total direct expenditures by the U.S. operations of international banks in calendar year



2006 were at least \$57.5 billion. Payroll expenditures (including bonuses and other incentive pay, all payroll taxes, and fringe benefits such as payments for health insurance and retirement plans, but excluding deferred compensation that was accrued but not paid during 2006) accounted for at least \$37 billion of overall operating expenditures.

Nationwide, the U.S. operations of international banks occupied at least 59 million square feet of office space as of the end of 2006, and their total occupancy expenses in 2006 were at least \$3.5 billion. Other operating expenditures (including payments for accounting, consulting and legal services, travel, business entertainment, telephone and equipment) totaled at least \$16.7 billion in 2006.

A Ten-Year Perspective. By comparison, the 1997 Study reported approximately 118,000 direct employees nationwide and total annual operating expenditures of approximately \$16 billion, of which approximately \$9 billion was attributable to payroll expenditures. The increases in employment and other expenditures over the last ten years testify to the growth of international banks' operations in the United States. As discussed below at page 12, there has been similar growth in the operations of domestically headquartered institutions, with the result that international banks' share of the U.S. banking market has remained essentially the same over the last ten years.

Nationwide Capital Expenditures. Total capital expenditures (before depreciation) of U.S. operations of international banks during the 12-month period ending December 31, 2006 were at least \$2 billion. These expenditures include the acquisition of bank premises and other real estate, improvements to office space, and the



acquisition of computer hardware and software as well as other high technology business equipment used in international financial services (e.g., the construction and equipping of large trading rooms). These expenditures enhance the value of real estate in major U.S. markets, provide employment in the construction industry as well as a large market for sales of computer and other high-technology products.

**JOB CREATION AND EMPLOYEE EARNINGS:
THE NATIONWIDE MULTIPLIER EFFECT**

The impact of the U.S. operations of international banks on the U.S. economy extends beyond the direct hiring of employees and the purchase of various goods and services because expenditures by the banks' U.S. operations and their employees result in the creation of additional jobs and related employee earnings in other industries. For example, if a bank purchases a computer from a local retailer, the retailer will use that income to pay for inventory, wages and other goods and services.

Based on direct-effect multipliers developed by the Bureau of Economic Analysis ("BEA") of the U.S. Department of Commerce, international bank activities resulted in the creation of more than 826,000 additional jobs in all industries throughout the United States and an increase in household earnings in all industries by at least an estimated \$94.7 billion.³ When these multiplier benefits are considered along with the direct

³ Bureau of Economic Analysis, U.S. Department of Commerce, Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II) (3d ed. March 1997). This study is intended to provide only a general indication of the multiplier effect of the expenditures of international banks on the U.S. economy. The multiplier figures listed in the text accompanying this note are derived from the BEA direct-effect multipliers for employment and earnings in the United States (nationwide) applicable to RIMS II Industry Aggregation Codes 41 and 42. The total direct-effect



expenditures, the presence of international banks provided in excess of 1,000,000 jobs and more than \$152 billion in total operating expenditures/additional employee earnings to the U.S. economy in 2006.

ECONOMIC IMPACT AT THE STATE LEVEL

Direct Employment in the NY-NJ-CT Tri-State Area and in Other Leading States. The survey also documents the broad geographic scope of international banks' U.S. operations and their positive impact at the state level. As mentioned above, international banks conduct operations in all 50 states. Measured by headcount, the most extensive operations are in the New York-New Jersey-Connecticut tri-state area, reflecting the central role of New York City as the country's leading international financial center. New York alone, and predominantly New York City, accounts for more than 62,500 direct employees – approximately 25 percent of all persons directly employed by international banks' U.S. operations – while New Jersey accounts for more than 12,800 and Connecticut more than 8,600. Other leading states in terms of headcount are California, which accounts for almost 30,000 direct employees, Illinois, which accounts for more than 22,000 direct employees, and Florida, Indiana, Massachusetts,

multipliers for employment represent the total change in number of jobs in all industries for each additional job in the U.S. operations of international banks. The direct-effect multipliers for household earnings represent the total dollar change in earnings of households employed by all industries for each additional dollar of earnings paid directly to households employed by the U.S. operations of international banks. See Appendix 2 for further discussion of the methodology used to apply the BEA multipliers to the survey findings.



Minnesota, Pennsylvania and Texas, each of which we estimate accounts for more than 5,000 direct employees (see Table 2 below at page 9).

The survey provides a useful indicator of the extent to which over the last ten years international banks' U.S. operations have expanded geographically, principally in connection with the growth of their retail banking and securities-related and other nonbanking businesses. For example, we estimate that as of December 31, 2006 the U.S. operations of international banks directly employed between 2,000 and 5,000 individuals in Delaware, Michigan, New Hampshire, Ohio, Oregon and Virginia, and over 1,000 in Arizona, Colorado, Georgia, Maine, Maryland, Nevada, North Carolina, Oklahoma, Rhode Island, South Carolina and South Dakota. Of these states, only Maryland, Michigan and Rhode Island were reported in the 1997 Study to have more than 1,000 individuals directly employed in the U.S. operations of international banks.

Impact of State Level Multipliers – Employment in the NY-NJ-CT Tri-State Area. Applying the BEA state-level, direct effect multipliers to these employment figures finds that in the New York-New Jersey-Connecticut tri-state area international banks' activities resulted in creation of at least an estimated 217,000 additional jobs in all industries in 2006, of which approximately 162,000 alone were created in New York. In New Jersey and Connecticut, the impact was the creation of at least an estimated 34,000 and almost 21,000 additional jobs, respectively. When these multiplier benefits are considered along with number of individuals directly employed, we estimate that the presence of international banks provided in excess of 300,000 jobs in the tri-state area in



2006, of which almost 225,000 were in New York, 47,000 in New Jersey and 29,000 in Connecticut (see Table 2 below).

Impact of State Level Multipliers – Employment in Other Leading States. A similarly significant positive impact on employment is found in other leading states, as indicated in the following table:

TABLE 2
ECONOMIC IMPACT OF THE U.S. OPERATIONS OF INTERNATIONAL BANKS: NATIONWIDE EMPLOYMENT¹

	Individuals Directly Employed in the U.S.	Multiplier Effect²	Total Impact on Employment
New York	62,500	162,250	224,750
California	29,500	87,900	117,400
Illinois	22,600	63,800	86,400
New Jersey	12,800	34,400	47,200
Minnesota	9,700	24,500	34,200
Connecticut	8,600	20,800	29,400
Florida	8,400	21,600	30,000
Texas	8,300	22,500	30,800
Massachusetts	7,600	18,500	26,100
Pennsylvania	7,300	17,500	24,800
Indiana	6,200	12,600	18,800

¹ Table 2 reports those states in which the banking and nonbanking operations of international banks in the aggregate are estimated to have directly employed in excess of 5,000 individuals (rounded to the nearest 100) based on the Institute of International Bankers’ survey of those operations as of December 31, 2006.

² Rounded to the nearest 100, applying the direct-effect multipliers developed by the U.S. Department of Commerce, Bureau of Economic Analysis (see Appendix 2).



Impact of State Level Multipliers – Employee Earnings in the NY-NJ-CT

Tri-State Area. Operations conducted by international banks in New York during 2006 generated in excess of \$15 billion in payroll expenditures. Based on the BEA direct effect multipliers for earnings, we estimate that these operations resulted in an increase in New York household earnings in all industries of at least \$30.6 billion. When these multiplier benefits are considered along with the direct expenditures, the presence of international banks in New York provided in excess of \$45 billion in household earnings to the New York economy in 2006, the predominant portion of which was concentrated in the New York City area (see Table 3 below).

A similarly positive impact is found New Jersey and Connecticut. We estimate, for example, that direct payroll expenditures by international banks in New Jersey and Connecticut during 2006 were in excess of at least \$2.1 billion and \$2.3 billion, respectively. Applying the BEA earnings multipliers results in an increase in household income in each of New Jersey and Connecticut by at least \$4.4 billion. In the aggregate, then, international banks' operations in the tri-state area were responsible for household earnings of at least \$59 billion, as indicated in the following table:



TABLE 3

**ECONOMIC IMPACT OF THE U.S. OPERATIONS
OF INTERNATIONAL BANKS IN THE NY-NJ-CT TRI-STATE AREA¹**

	EMPLOYMENT			EARNINGS (\$ billions)		
	Individuals Directly Employed	Multiplier Effect ²	Total	Direct Employees' Earnings	Multiplier Effect ²	Total
New York	62,500	162,250	224,750	15.2	30.6	45.8
New Jersey	12,800	34,400	47,200	2.1	4.4	6.5
Connecticut	8,600	20,800	29,400	2.3	4.4	6.7
TOTAL	83,900	217,450	301,350	19.6	39.4	59.0

¹ Based on the Institute of International Bankers' survey as of December 31, 2006 of U.S. banking and nonbanking operations of international banks.

² Based on direct-effect multipliers developed by the U.S. Department of Commerce, Bureau of Economic Analysis (see Appendix 2).

**FINANCIAL MARKETS IMPACT:
ENHANCED CREDIT AVAILABILITY**

Overall Banking Assets. Federal Reserve data indicate that international banks' U.S. banking operations had total assets of approximately \$2.42 trillion as of September 30, 2007, and that international banks in the aggregate held approximately 24 percent of total U.S. banking assets. As indicated in Table 4 below, this percentage is only slightly greater than in 1997. Indeed, in the early part of this decade, the percentage of total U.S. banking assets held by the U.S. banking operations of international banks declined



somewhat, reaching a low of approximately 18 percent in 2003, after which it gradually increased to the level reported above.

Thus, while the total amount of assets held by international banks' U.S. banking operations increased by more than \$1 trillion since 1997, the amount held by domestically headquartered banks likewise has grown significantly, so that international banks' overall share of the U.S. banking market has remained essentially the same over the last ten years.

TABLE 4

**PERCENTAGE OF TOTAL U.S. BANKING ASSETS HELD
BY THE U.S. BANKING OPERATIONS OF INTERNATIONAL BANKS**

1997	22.1
1998	20.3
1999	20.2
2000	20.1
2001	20.3
2002	19.0
2003	18.4
2004	20.0
2005	21.7
2006	23.1
September 30, 2007	24.7

SOURCE: Federal Reserve Board Share Data
(as of December 31 for all years, except as noted)

As discussed below, a significant portion of these assets consists of wholesale credit to U.S. commercial and industrial companies, U.S. banks, state and local municipalities and the U.S. Government.



Business Loans. According to Federal Reserve data, the commercial and industrial (“C&I”) loans of U.S. banking operations of international banks were approximately \$388.6 billion as of September 30, 2007, representing approximately 28.6 percent of all C&I lending in the United States. As set forth in the following table, the percentage of total U.S. C&I loans held by the U.S. banking operations of international banks during the period 1997- September 30, 2007 ranged between approximately 23 percent and 32 percent:

TABLE 5

**PERCENTAGE OF TOTAL U.S. C & I LOANS
HELD BY THE U.S. BANKING OPERATIONS OF
INTERNATIONAL BANKS**

1997	31.9
1998	29.1
1999	26.5
2000	26.7
2001	26.8
2002	25.7
2003	22.8
2004	23.5
2005	24.7
2006	27.2
September 30, 2007	28.6

SOURCE: Federal Reserve Board Share Data
(as of December 31 for all years, except as noted)



Loan Syndications. According to the report on Shared National Credits released by the federal banking agencies in September 2007, international banks in 2006 acquired approximately \$1.316 trillion in syndicated loans (including unfunded commitments to extend credit in the amount of approximately \$932 billion), representing approximately 41 percent of total syndicated loans during that year. The bulk of these loans were originated by large U.S. banks, which are the clear leaders in structuring and arranging syndicated loans and which obtain significant fees from originating and servicing such loans. By purchasing such loans, international banks contribute to the depth and liquidity of the syndicated loan market and facilitate the ability of large domestically headquartered banks to diversify their credit risk and free up their capital to make new loans.

Other Credit Activities. As indicated below in Table 6, the U.S. branches and agencies of international banks, together with international banks' Edge Act and Agreement corporation subsidiaries, are a significant source of credit for real estate transactions in the United States, as well as interbank lending. In addition, they have substantial investments in U.S. Treasury and Agency securities and provide significant amounts of funding to U.S. businesses and state and local governments by investing in their securities, including corporate bonds, commercial paper, medium term notes, municipal revenue bonds, asset-backed securities and equity securities.



TABLE 6

**SELECTED ASSETS OF U.S. BRANCHES/AGENCIES AND
EDGE/AGREEMENT SUBSIDIARIES OF INTERNATIONAL BANKS
(December 2007)¹**

Treasury and Agency Securities	\$87.0 billion
Other securities	\$376.0 billion
Real estate loans	\$39.5 billion
Interbank loans	\$92.2 billion

Source: Table 1.26E in the Statistical Supplement to the Federal Reserve Bulletin (January 2008)

¹ Monthly averages, seasonally adjusted



CONCLUSION

The Institute's Economic Benefits study documents the substantial contributions made by international banks in the United States at both a national and state level – particularly in the New York-New Jersey-Connecticut tri-state area – including through the direct employment of nearly 250,000 people and annual total operating expenditures of over \$57 billion. Based on direct effect multipliers developed by the U.S. Department of Commerce, the U.S. operations of international banks create more than 1 million jobs and generate more than \$152 billion in total operating expenditures/additional employee earnings. In connection with the ongoing public dialogue on enhancing the international competitiveness of U.S. financial markets, the results of the study underscore the importance of ensuring that regulatory initiatives both benefit domestically headquartered financial institutions and enhance the attractiveness of the United States to their internationally headquartered counterparts.



**APPENDIX 1: STRUCTURE OF INTERNATIONAL BANKS’
U.S. BANKING OPERATIONS**

As of December 31, 2006, 206 international banks maintained 259 U.S. branch and agency offices, 66 U.S. commercial bank subsidiaries, 2 Edge Act banking subsidiaries and 145 U.S. representative offices. As indicated in the following table, these operations are spread across the United States, with the largest concentration in New York, California, Florida, Texas and Illinois:¹

**U.S. BANKING AND REPRESENTATIVE OFFICES OF
INTERNATIONAL BANKS BY STATE**

	Total	Branches	Agencies	Commercial Bank Subsidiaries	New York Investment Companies	Edge Act Corporation (Banking)	Representative Offices
New York	202	128	12	15	2	—	45
California	85	33	15	12	—	—	25
Florida	55	33	—	6	—	2	14
Texas	30	—	7	3	—	—	20
Illinois	27	12	—	4	—	—	11
Connecticut	8	4	1	1	—	—	2
Georgia	8	—	4	1	—	—	3
All other	57	9	1	24	—	—	26

Source: Federal Reserve Board Structure Data as of December 31, 2006, except with respect to New York Investment Companies, which are reported by the New York State Banking Department as of January 2008

¹ The data in the table reflects the definitions of "branch" and "agency" used by the Federal Reserve Board. Whereas state law (e.g., in Florida) may describe offices as "agencies," the Federal Reserve Board considers agencies to be "branches" if they exercise powers that go beyond its definition of agency. For example, Florida agencies accept deposits from foreign persons and are therefore considered by the Federal Reserve Board to be branches.



The Federal Reserve’s structure data substantiates New York’s role as the country’s leading international financial center. As indicated in the table below, international banks’ banking New York operations account for more than \$1.5 trillion of banking assets as of December 31, 2006, which is more than 64 percent of international banks’ total U.S. banking assets reported in the Federal Reserve’s structure data as of that date. With respect to assets booked at U.S. branches and agencies (federal and state licensed offices in the aggregate), New York accounts for more than 87 percent of the national total.

Collectively, the states listed below account for approximately 83 percent of international banks’ total U.S. banking assets reported in the Federal Reserve’s structure data as of December 31, 2006, virtually all of the assets booked at U.S. branches and agencies and somewhat less than half (47 percent) of the total assets held by international banks’ U.S. commercial bank subsidiaries, an indication of the extent to which international banks have extended their U.S. retail banking operations beyond the borders of their wholesale banking activities.

**ASSETS OF INTERNATIONAL BANKS’
U.S. BANKING OPERATIONS BY KEY STATES
(\$ millions)**

	Branches/Agencies	Commercial Bank Subsidiaries	Edge Act Corporation (Banking)	Total Assets
New York	1,472,483 ¹	84,204	0	1,556,687 ²
California	19,724	119,555	0	139,279
Florida	22,016	5,478	9,581	37,075
Texas	7,310	14,490	0	21,800
Illinois	71,109	114,693	0	185,802
Connecticut	69,308	508	0	69,816
Georgia	4,032	11	0	4,043

Source: Federal Reserve Board Structure Data as of December 31, 2006

¹ Branches and agencies of international banks located in New York account for more than 87 percent of all assets booked at U.S. branches and agencies nationwide as of December 31, 2006 (as reported in the Federal Reserve’s structure data).

² Assets held by international banks’ New York banking operations account for more than 64 percent of all banking assets held by international banks’ U.S. banking operations as of December 31, 2006 (as reported in the Federal Reserve’s structure data).



APPENDIX 2: METHODOLOGY

How the Survey Was Conducted

The Institute's member banks in the aggregate account for approximately 98 percent of the total assets held by international banks' in the United States. The Institute circulated a questionnaire to its members requesting information as of December 31, 2006 regarding their overall U.S. operations (banking and nonbanking), including headcount, payroll, occupancy expenditures, other operating expenditures and capital expenditures. The questionnaire was also circulated to nonmember institutions.

The Institute received responses from banks accounting in the aggregate for approximately 96 percent of the assets held by international banks' U.S. banking operations and substantially all of the assets held in their nonbank operations. In some instances, respondents provided information regarding only a portion of their U.S. operations and/or provided information regarding their nationwide operations but not their operations in various states, and in some instances information was not provided regarding capital expenditures. Information derived from the Federal Reserve Board's Bank Holding Company Act Performance Reports, the Call Reports filed by international banks' U.S. branches and agencies and their U.S. bank subsidiaries and the Thrift Financial Reports filed by their U.S. thrift subsidiaries was used to supplement information provided in the responses to the questionnaire.

Thus, the results of the survey understate the positive overall economic impact of international banks' U.S. operations, although it is not possible to quantify by how much.

Use of BEA Direct Effect Multipliers

The multiplier figures used in this study are derived from the 2005 BEA direct-effect multipliers for employment and earnings in the United States applicable to RIMS II Industry Aggregation Codes 41 and 42, which roughly correspond to the banking/finance and securities-related businesses. The BEA has developed separate multipliers for each industry on a nationwide and state-by-state basis.

The nationwide figures summarized in the Profile presented at the outset of the study are derived from the BEA's nationwide multipliers. As reported at page 4 of the study, the survey responses indicate that approximately two-thirds of employees are engaged in banking operations (including consumer and commercial finance) and the remaining one-third engage in nonbanking/securities-related operations. Not all respondents, however, provided this information; approximately 12 percent of the total number of reported direct employees were not categorized one way or the other. On this basis, we have applied the nationwide "banking" multiplier to two-thirds of the total



number of employees and earnings and the nationwide “securities” multiplier to the remaining one-third.

At the state level, the information obtained from the survey is not sufficiently discriminating to enable meaningful differentiation between banking/finance and securities-related operations. We therefore have applied only the “banking” multipliers, which in general are somewhat lower than the “securities” multipliers. Consequently, the discussion of the multiplier effect at the state level, which is summarized in Table 2 and Table 3, probably somewhat understates the overall effect.