

TITLE 12 - BANKS AND BANKING

CHAPTER 40 - INTERNATIONAL LENDING SUPERVISION

§ 3904a. Additional reserve requirements

(a) In general

Each appropriate Federal banking agency shall review the exposure to risk of United States banking institutions arising from the medium- and long-term loans made by such institutions that are outstanding to any highly indebted country. Each agency shall provide direction to such institutions regarding additions to general reserves maintained by each banking institution for potential loan losses and special reserves required by such agency arising from such review.

(b) Determination of institutional exposure to risk

In determining the exposure of an institution to risk for purposes of subsection (a) of this section, the appropriate Federal banking agency—

- (1) shall determine whether any country exposure that is, and has been for at least 2 years, rated in the category “Other Transfer Risk Problems” or the category “Substandard” by the Interagency Country Exposure Review Committee should be reevaluated;
- (2) may exempt, in full or in part, from reserve requirements established pursuant to subsection (a) of this section, any loan—
 - (A) to a country that enters into a debt reduction, debt service reduction, or financing program with its bank creditors that is supported by the International Bank for Reconstruction and Development or the International Monetary Fund; or
 - (B) secured, in whole or in part, by appropriate collateral for payment of interest or principal;
- (3) take into account any other factors which bear on such exposure and the particular circumstances of the institution; and
- (4) shall consider as indicators of risk, where appropriate, the average reserve levels maintained by or required of banking institutions in foreign countries and secondary market prices for such loans.

(c) Timing and report

(1) Determined by agency

Except as provided in paragraph (3), each appropriate Federal banking agency shall determine the timing of any addition to reserves required by subsection (a) of this section.

(2) Report

Each appropriate Federal banking agency shall include in each report required to be made under section 3912 (d)¹ of this title after 1989 a report on the actions taken pursuant to this section.

(3) Deadline

Each Federal agency required to undertake a review described in subsection (a) of this section shall complete the review not later than December 31, 1990.

(d) “Highly indebted country” defined

As used in this section, the term “highly indebted country” means any country designated as a “Highly Indebted Country” in the annual World Debt Tables most recently published by the International Bank for Reconstruction and Development before December 19, 1989.

Footnotes

¹ See References in Text note below.

(Pub. L. 98–181, title IX, § 905A, as added Pub. L. 101–240, title IV, § 402(b), Dec. 19, 1989, 103 Stat. 2501.)

References in Text

Section 3912 (d) of this title, referred to in subsec. (c)(2), was repealed by Pub. L. 104–208, div. A, title II, § 2224(c), Sept. 30, 1996, 110 Stat. 3009–415.

Congressional Findings

Section 402(a) of Pub. L. 101–240 provided that: “The Congress finds that—

“(1) since the adoption of the International Lending Supervision Act of 1983 [12 U.S.C. 3901 et seq.], the credit quality of loans by United States banking institutions to highly indebted countries has deteriorated and the prospects for full repayment of such loans have diminished;

“(2) in general during this period, the level of country exposure and transfer risk associated with loans by United States banking institutions to highly indebted countries has not been adequately reflected in the reserve levels established by many individual United States banking institutions or the reserve requirements imposed by Federal banking agencies pursuant to such Act;

“(3) during the last 3 years and particularly in recent months, United States banking institutions have increased their reserves for possible losses from loans to highly indebted countries but such reserves remain, in some cases, significantly lower than reserves established by banking institutions in a number of foreign countries and may not be adequate to deal with potential risks; and

“(4) in order to fulfill the purposes of such Act, the Federal banking agencies should take a more active role in reviewing reserve levels established by United States banking institutions for potential losses from loans to highly indebted countries and in requiring appropriate levels of both special and general reserves to reflect the increased risk of such loans.”