



## International Affairs: Legislative and Administrative Obstacles to Writedowns and Swapping of Less Developed Country Debt: T-NSiad-87-29

By -

BiblioGov. Paperback. Book Condition: New. This item is printed on demand. Paperback. 26 pages. Dimensions: 9.7in. x 7.4in. x 0.1in. GAO discussed practices U. S. banks use to reduce their risk in lending to less-developed countries (LDC), focusing on legislative and administrative obstacles to: (1) writedowns, which involve the reduction of the book value of an asset to the level of its present or appraised value; and (2) swapping loans between banks to reduce their exposure in specific LDC. GAO noted that: (1) LDC debt to U. S. banks totals about 950 billion, with most debt concentrated in major banks; and (2) many U. S. banks have shifted their LDC loan holdings from private commercial loans to lower-risk foreign government loans. GAO also noted that: (1) while the federal bank regulatory agencies can mandate writedowns of devalued loans, the banking industry perceives several disincentives to voluntary writedowns; (2) writedowns have no effect on the debt burden of LDC, since they are done for financial reporting purposes; (3) U. S. banks tend to maintain lower LDC loss reserves than foreign banks, but foreign banks usually operate in more stringent regulatory environments than U. S. banks; (4) lending institutions perceive a disincentive in...



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