

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 69-10
January 14, 1969

**AMENDMENTS TO REGULATION K AND
RULES REGARDING DELEGATION OF AUTHORITY**

**To All Member Banks
in the Eleventh Federal Reserve District:**

The Board of Governors of the Federal Reserve System has adopted, effective January 7, 1969, an amendment to its Regulation K, "Corporations Engaged in Foreign Banking and Financing Under the Federal Reserve Act." The Board has also adopted an amendment to its Regulation "Rules Regarding Delegation of Authority" to delegate to a Board member and the Board's staff authority to approve certain international applications by Edge and Agreement corporations and member banks. Enclosed is a copy of an explanatory press release dated January 10, 1969, concerning the amendments.

Copies of the amendments are enclosed for insertion in the ring binders containing the Regulations of the Board of Governors and the Bulletins of this Bank.

Yours very truly,

P. E. Coldwell

President

Enclosures (3)

RULES REGARDING DELEGATION OF AUTHORITY

AMENDMENT

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

1. Effective January 7, 1969, the following new section is added after Section 265.1:

SECTION 265.1a—SPECIFIC FUNCTIONS DELEGATED TO BOARD MEMBERS.

Any Board member designated by the Chairman is authorized under sections 25 and 25(a) of the Federal Reserve Act and Parts 211 and 213 of this chapter (Regulations K and M):

(1) To approve the establishment of a foreign branch or agency by a member bank or corporation organized under section 25(a) (an "Edge" corporation) or operating under an agreement with the Board pursuant to section 25 (an "Agreement" corporation) which has already established branches in more than one foreign country.

(2) To grant specific consent to stock acquisitions by a member bank or an Edge or Agreement corporation (and to approve such acquisitions which may exceed the limitations in section 25(a) based on such a corporation's capital and surplus) not resulting in the acquisition by such bank or corporation of effective control of any foreign company (other than a company performing nominee, fiduciary or other banking services incidental to the activities of a foreign branch or affiliate of such bank or corporation).

(3) To permit an Edge or Agreement corporation to exceed the limitations in section 211.9(b) and (c) of this chapter (Regulation K).¹

2. Also effective January 7, 1969, the titles of section 265.2 and paragraph (c) thereof are amended to read as shown below, and the following subparagraph (11) is added to paragraph (c):

¹Subject, of course, to the limitations in section 25(a) relating to aggregate liabilities outstanding on debentures, bonds, and promissory notes.

SECTION 265.2—SPECIFIC FUNCTIONS DELEGATED TO
BOARD EMPLOYEES AND FEDERAL RESERVE BANKS

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(c) **The Director of the Division of Supervision and Regulation** (or, in his absence, the Acting Director) is authorized:

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(11) Under sections 25 and 25(a) of the Federal Reserve Act and Parts 211 and 213 of this chapter (Regulations K and M), to approve increases and reductions in the capital stock and amendments to the articles of association of a corporation organized under section 25(a) and *additional* investments by a member bank in the stock of a corporation operating under an agreement with the Board pursuant to section 25.

**CORPORATIONS DOING FOREIGN BANKING OR
OTHER FOREIGN FINANCING UNDER
THE FEDERAL RESERVE ACT**

AMENDMENT TO REGULATION K

(12 CFR PART 211)

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective January 7, 1969, Section 211.8 is amended to read as follows:

**SECTION 211.8—INVESTMENTS IN SHARES
OF OTHER CORPORATIONS.**

(a) **General consent.** Subject to section 25(a) of the Act⁴ and this part, the Board hereby grants its general consent for any Corporation to invest, directly or indirectly, in the shares of foreign corporations⁵ not doing business in the United States; but no investment hereunder shall cause the Corporation to have invested more than \$500,000 in the shares, or to hold more than 25 per cent of the voting shares, of any such corporation.

(b) **Specific consent.** Prior specific consent of the Board is required with respect to the acquisition of any shares by a Corporation, except as provided in paragraph *(a)* of this section or the ninth paragraph of section 25(a) of the Act (relating to purchases of stock to prevent loss on debts previously contracted).

(c) **Conditions.** (1) Shares of stock in a corporation shall be disposed of as promptly as practicable if (i) such corporation should engage in the business of underwriting, selling, or distributing securities in the United States or (ii) the Corporation is advised by the Board that their holding is inappropriate under section 25(a) of the Act or this part.

(2) In computing the amount which may be invested in the shares of any corporation under paragraph *(a)* of this section and section 25(a) of the Act, there shall be included any such investments in other corporations controlled by such corporation. Unless otherwise

⁴ Including the limitations therein based on capital and surplus.

⁵ As used here, "corporation" does not include limited partnerships or similar organizations.

specified, "shares" in this section includes any rights to acquire shares, except that prior Board consent is not required for the acquisition and exercise of stock rights in lieu of dividends which are declared on shares already held by a Corporation and which do not result in an increase in percentage ownership of the corporation.

(d) **Reports.** A Corporation shall inform the Board through the Federal Reserve Bank of its district within thirty days after the close of each quarter with respect to any acquisition or disposition of shares during that quarter, including the following information concerning any corporation whose shares it acquired for the first time (unless previously furnished): (1) Recent balance sheet and income statement, (2) brief descriptions of the corporation's business (including full information concerning any such business transacted in the United States), the shares acquired, and any related credit transaction, (3) lists of directors and principal officers (with address and principal business affiliation of each) and of all shareholders (known to the issuing corporation) holding 10 per cent or more of any class of the corporation's shares (and the amount held by each), and (4) information concerning the rights and privileges of the various classes of shares outstanding.

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