

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 71-230
September 29, 1971

AMENDMENT TO REGULATION Y
(Foreign Business Activities)

To All Member Banks and others Concerned
in the Eleventh Federal Reserve District:

The Board of Governors of the Federal Reserve System announced on September 20, 1971, an amendment to Regulation Y which permits bank holding companies to acquire ownership or control of the shares of companies in which Edge Act corporations may invest.

Enclosed is a copy of the Bank's press release and amendment.

Refer to the reverse side for information regarding the materials which constitute a current version of Regulation Y.

Yours very truly,

P. E. Coldwell

President

Enclosures

CURRENT VERSIONS

REGULATION Y:

1. The pamphlet, as amended, effective 3-15-68.
2. Amendments to section 222.4(a), (b) and (c), effective 6-15-71.
3. Amendment to section 222.4(d), effective 6-30-71.
4. Amendment adding section 222.4(e), effective 7-1-71.
5. Amendment adding section 222.4(a)(8), effective 7-1-71.
6. Amendment adding section 222.4(a)(9), effective 9-1-71.
7. Amendments to section 222.4(b)(3), effective 9-1-71.
8. Amendments to sections 222.2 and 222.3(b), effective 9-21-71.
9. The enclosed amendment adding section 222.4(f), effective 9-21-71.



FEDERAL RESERVE

press release

For immediate release

September 20, 1971

The Board of Governors of the Federal Reserve System today announced the types of foreign business activities in which domestic bank holding companies may engage under the 1970 amendments to the Bank Holding Company Act.

An amendment to the Board's Regulation Y will permit bank holding companies to acquire ownership or control of the shares of companies in which Edge Act corporations may invest. Such acquisitions must be made with the Board's consent under procedures similar to those presently governing investments by Edge Act corporations.

Edge Act corporations are generally subsidiaries of member banks, established in the United States with specific Board approval, to facilitate the foreign business of their parent banks. The corporations are permitted to exercise broader powers in foreign operations than are their parent banks. In general, Edge Act corporations may invest in companies engaged in international or foreign banking or other international or foreign financial operations. They may also have minority non-controlling investments in other types of companies, when the size of the investment is proportionate to a proper financing activity. The Edge Act was enacted by Congress in 1919.

The regulatory amendment, which is effective tomorrow, is similar to a proposal made by the Board on June 16. It implements the

Board's authority under section 4(c)(13) of the Bank Holding Company Act to permit bank holding companies to acquire shares of companies which do no business in the United States except as an incident to such companies' international or foreign business. The Board has acted on the basis of its determination that it would be consistent with the purposes of the Act and in the public interest to permit bank holding companies to engage in the kinds of activities permissible to Edge Act corporations.

The regulatory amendment would not authorize bank holding companies to acquire shares of companies that accept deposits in the United States.

A copy of the amendment is attached.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

BANK HOLDING COMPANIES

AMENDMENT TO REGULATION Y

Effective September 21, 1971, section 222.4 of Regulation Y is amended by adding a new paragraph as follows:

SECTION 222.4—NONBANKING ACTIVITIES

* * * * *

(f) **Foreign activities of domestic holding companies.** (1) Any bank holding company may, with the consent of the Board, own or control voting shares of any company in which a company organized under section 25(a) of the Federal Reserve Act (12 U.S.C. 611-631) may invest other than a company that accepts deposits or similar credit balances in the United States.

(2) The procedures governing the Board's consent shall be the same as those set forth in § 211.8 of this chapter (Regulation K). In addition, the Board grants its general consent for any bank holding company to acquire from any of its subsidiaries any shares the subsidiary holds with the consent of the Board pursuant to parts 211 or 213 of this chapter (Regulations K and M). The Board may at any time, upon notice, suspend the general consent procedures with respect to any bank holding company or with respect to the acquisition of shares of companies engaged in particular kinds of activities.

(3) It shall be a condition to the Board's specific consent to the continued holding of voting shares of any subsidiary of a bank holding company which are acquired or held on the basis of an exemption under section 4(c)(13) of the Act that the subsidiary may take the following actions only with prior Board approval: (a) establish branch offices or agencies in the United States or to engage in receiving deposits in any foreign country (other than a foreign country in which it already has such an activity with the Board's approval) or (b) issue in the United States any debentures, bonds, promissory notes, or similar obligations, other than instruments or obligations due within one year.

(4) A bank holding company shall inform the Board, through its Federal Reserve Bank within 30 days after the close of each semi-annual period, of all shares acquired or disposed of during that period that are or were held under the authority of this subsection. With respect to any acquisition, such information shall (unless previously furnished) include brief descriptions of the business of the companies whose shares were acquired.