



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT

August 29, 1986

DALLAS, TEXAS 75222

Circular 86-77

TO: The Chief Executive Officer of all
member banks and others concerned in
the Eleventh Federal Reserve District

SUBJECT

Regulation K -- International Banking Activities

DETAILS

The Board of Governors of the Federal Reserve System has amended its Regulation K relating to the types of foreign investments that require the specific consent of the Board, effective July 8, 1986. The regulation currently requires an application to the Board where the investor banking organization proposes to invest more than 10 percent of its capital and surplus in a foreign organization. The amendment removes this requirement and permits the investor to make the investment after prior notice to the Board 45 days in advance of the date the proposed investment would be made.

ATTACHMENTS

The material as published in the Federal Register is attached.

MORE INFORMATION

For further information, please contact this Bank's Legal Department at (214) 651-6228.

Sincerely yours,

William H. Wallace

specific consent of the Board. The regulation currently requires an application to the Board where the investor banking organization proposes to invest more than 10 percent of its capital and surplus in a foreign organization. The amendment removes this requirement and permits the investor to make the investment after prior notice to the Board 45 days in advance of the date the proposed investment would be made.

EFFECTIVE DATE: July 8, 1986.

FOR FURTHER INFORMATION CONTACT: James S. Keller, Manager, International Banking Applications, Division of Banking Supervision and Regulation (202/452-2523); or Earnestine Hill or Dorothea Thompson, Telecommunication Device for the Deaf (TDD) (202/452-3544), Board of Governors of the Federal Reserve System.

SUPPLEMENTARY INFORMATION: Regulation K establishes the procedures governing investments by U.S. banking organizations in foreign companies engaged in permissible activities. Investments of less than \$15 million and 5 percent of the investor's capital and surplus may be made under a general consent granted in the regulation. Investments not eligible for the general consent require 45 days' prior notice to the Board, after which the investment may be made.

Section 211.5(c)(2) of Regulation K (12 CFR 211.5(c)(2)) provided that the prior notice procedures only applied if the total proposed investment did not exceed 10 percent of the capital and surplus of the investor. The purpose of this requirement was to permit the Board to review applications involving significant commitments of the investor's resources. In reviewing such applications the Board has found that these investments do not always raise issues that require Board consideration. Accordingly, the Board is removing the requirement that any investment that is greater than 10 percent of the investor's capital and surplus must be considered by the Board. Such investments may now be made under the prior notification procedures of § 211.5(c)(2). Investors will be required to continue to file full information on Form F.R. K-1, Attachment H (OMB No. 7100-0107) for proposed investments that exceed 10 percent of the capital and surplus of the investor so that the Board can determine whether individual notices raise other issue of concern to the Board.

The provisions of 5 U.S.C. 553 relating to notice, public participation and deferred effective date are not followed in connection with the adoption of this

amendment because the changes involved are procedural in nature and do not constitute substantive rules subject to the requirement of that section.

Pursuant to section 605(b) of the Regulatory Flexibility Act (Pub. L. 96-354; 5 U.S.C. 601 *et seq.*), the Board of Governors of the Federal Reserve System certifies that the amendment adopted will not have a significant economic impact on a substantial number of small entities that would be subject to the regulation.

List of Subjects in 12 CFR Part 211

Banks, Banking, Federal Reserve System, Foreign banking, Investments, Reporting and recordkeeping requirement, Export trading companies, Allocated transfer risk reserve, Reporting and disclosure of international assets, Accounting for fees on international loans.

PART 211—[AMENDED]

12 CFR Part 211 is amended as follows:

1. The authority citation for Part 211 continues to read as follows:

Authority: Federal Reserve Act (12 U.S.C. 211 *et seq.*), Bank Holding Company Act of 1956, as amended (12 U.S.C. 1841 *et seq.*); the International Banking Act of 1978 (Pub. L. 95-369; 92 Stat. 607; 12 U.S.C. 3101 *et seq.*); the Bank Export Services Act (Title II, Pub. L. 97-290, 98 Stat. 1235); and the International Lending Supervision Act (Title IX, Pub. L. 98-181, 97 Stat. 1153).

§ 211.5 [Amended]

2. Section 211.5(c)(2) is amended by removing at the end of the first sentence the phrase "if the total amount to be invested does not exceed 10 percent of the investor's capital and surplus".

By order of the Board of Governors of the Federal Reserve System, July 8, 1986.

William W. Wiles,

Secretary of the Board.

[FR Doc. 86-15732 Filed 7-11-86; 8:45 am]

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FEDERAL RESERVE SYSTEM

12 CFR Part 211

[Docket No. R-0576]

Regulation K; International Banking Activities

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board has amended its Regulation K relating to the types of foreign investments that require the