

Minutes for August 1, 1963

To: Members of the Board  
From: Office of the Secretary

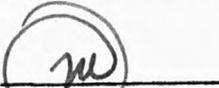
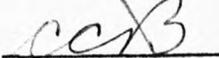
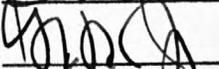
Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is proposed to place in the record of policy actions required to be kept under the provisions of section 10 of the Federal Reserve Act an entry covering the items in this set of minutes commencing on the page and dealing with the subjects referred to below:

- Page 4 Revision of Regulation M, Foreign Branches of National Banks.
- Page 4 Amendment to Regulation H, Membership of State Banking Institutions in the Federal Reserve System.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin  
Gov. Mills  
Gov. Robertson  
Gov. Balderston  
Gov. Shepardson  
Gov. King  
Gov. Mitchell


Minutes of the Board of Governors of the Federal Reserve System  
on Thursday, August 1, 1963. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Balderston, Vice Chairman  
Mr. Mills  
Mr. Shepardson  
Mr. Mitchell

Mr. Kenyon, Assistant Secretary  
Mr. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Hooff, Assistant General Counsel  
Mr. Sammons, Adviser, Division of International  
Finance  
Mr. Goodman, Assistant Director, Division of  
Examinations  
Mr. Benner, Assistant Director, Division of  
Examinations  
Mr. Leavitt, Assistant Director, Division of  
Examinations  
Mr. Mattras, General Assistant, Office of the  
Secretary  
Mr. Doyle, Attorney, Legal Division  
Mr. Poundstone, Review Examiner, Division of  
Examinations

Circulated or distributed items. The following items, copies  
of which are attached to these minutes under the respective item numbers  
indicated, were approved unanimously:

	<u>Item No.</u>
Letter to Isabella County State Bank, Mount Pleasant, Michigan, approving the establishment of a branch at 202 South College Street, with the understanding that a proposed capital program would be consummated.	1
Letter to the Federal Deposit Insurance Corporation regarding the application of Mound City Trust Company, St. Louis, Missouri, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	2

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	<u>Item No.</u>
Letter to Exchange National Bank, Winter Haven, Florida, with respect to the permissibility, under Regulation Q, of changing a name on a time certificate of deposit.	3
Letter to Southern Arizona Bank and Trust Company, Tucson, Arizona, authorizing it to accept commercial drafts or bills of exchange up to 100 per cent of capital and surplus.	4

In connection with Item No. 3, it was noted that in a 1960 ruling (where a bank issued to the transferee of an outstanding non-negotiable certificate of deposit a new certificate of like tenor and amount) the Board had taken the position that the issuance of the new certificate would not involve a violation of the law or Regulation Q, Payment of Interest on Deposits, since the funds on deposit would not be paid out by the bank prior to the maturity stated in the certificate. Mr. Hackley explained that it had always been considered that the significant factor was whether or not the deposit was paid out by the member bank prior to maturity. It was recognized in Regulation Q that a time certificate could be either negotiable or non-negotiable, and that a depositor in effect could obtain his funds before maturity by transferring the certificate. The key point was whether the issuing bank was paying the deposit prior to maturity. In the form in which it was approved, the letter omitted, as gratuitous, certain language in the draft that had been distributed relating to possible difficulties under State law if a name was changed on a certificate without the consent of both of the joint depositors.

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Report on competitive factors (Gettysburg-Biglerville, Pennsylvania). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Biglerville National Bank, Biglerville, Pennsylvania, into The Gettysburg National Bank, Gettysburg, Pennsylvania.

The report was approved unanimously for transmission to the Comptroller; the conclusion read as follows:

The proposed merger would eliminate the moderate amount of competition that exists between The Biglerville National Bank and The Gettysburg National Bank. While there would remain one other fairly sizable bank and six small banks in the area served, consummation of the proposed merger would increase significantly the size of The Gettysburg National Bank which presently holds 30 per cent of commercial bank deposits in the area. The smaller banks in Arendtsville and Bendersville would be subject to the competitive capabilities of a much larger bank than is presently the case.

Report on competitive factors (Charleston-Bamberg, South Carolina). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Bamberg County Bank, Bamberg, South Carolina, into The South Carolina National Bank of Charleston, Charleston, South Carolina.

After discussion, the report was approved unanimously for transmission to the Comptroller with the understanding that the wording of the conclusion would be revised slightly to read as follows:

The nearest offices of The South Carolina National Bank of Charleston and Bamberg County Bank are 31 miles apart and the amount of competition between them appears to be nominal.

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Consummation of the proposed merger would not significantly alter South Carolina National's competitive position in the areas it currently serves; however, it would enhance its position as the State's largest bank both with respect to deposits and geographical coverage.

The following members of the staff entered the room at this point:

Mr. Cardon, Legislative Counsel  
Mr. Fauver, Assistant to the Board  
Mr. Holland, Adviser, Division of Research and Statistics

Revision of Regulation M and conforming amendment to Regulation H (Items 5-7). There had been distributed a memorandum from the Division of Examinations and the Legal Division dated July 26, 1963, submitting for consideration a redraft of a proposed revision of Regulation M, Foreign Branches of National Banks, along with a draft of conforming amendment to sections 208.8(d) and (e) of Regulation H, Membership of State Banking Institutions in the Federal Reserve System.

The proposed revision of Regulation M was designed primarily to implement Public Law 87-588, approved August 15, 1962, which amended section 25 of the Federal Reserve Act to empower the Board to issue regulations authorizing foreign branches of national banks to exercise additional powers which are usual in connection with banking business abroad.

The Board had most recently considered the proposed revision of Regulation M at the meeting on July 3, 1963, and in accordance with the understanding reached at that meeting a redraft of the proposed

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revision had been forwarded for comment to the affected supervised institutions, the Federal Reserve Banks, and interested Government agencies. Copies of the letters received in reply were attached to the memorandum.

Most of the changes in the revised draft under consideration at this meeting were of an editorial character. There were, however, two questions of some importance. The first related to the desirability of imposing any maturity limitations on acceptances in light of the position taken by the Comptroller of the Currency that national banks were not subject to any such limitation. The second concerned the advisability of imposing an amount limitation on the power granted by the draft regulation to underwrite and deal in obligations of foreign national governments, as well as the possibility of broadening that power to include obligations of agencies, instrumentalities, and political subdivisions of foreign governments that were not supported by the full faith and credit of the national government involved.

Mr. Solomon commented on the memorandum and noted that the response to the recently distributed draft revision had been quite gratifying. He referred to the two important remaining questions, as set forth in the memorandum, and discussed alternative approaches to them.

Following Mr. Solomon's comments, Governor Mills stated that from the outset he had had strong reservations about the liberalizations

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contained in the proposed revision of Regulation M. He noted that Public Law 87-588 seemed intended to permit foreign branches of United States banks to compete on relatively favorable terms with banks in the host country. However, if the writing of a regulation that would permit such competition resulted in lower banking standards, it was the responsibility of the supervisory agency to stand on the side of sound banking. In his opinion, the extension of authority to foreign branches to guarantee and to accept would condone and encourage unsound banking practices. Beyond that, it would open the gate to an increased outflow of dollars and gold. If banks were permitted to guarantee at will, circumscribed only by broad capital limitations, and if they were allowed to accept not only self-liquidating, secured paper but any paper that happened to meet their fancy, this would encourage practices that through many years of experience had been found to be undesirable. A representative of First National City Bank of New York had stated quite frankly that one of the reasons his bank wanted its foreign branches to be able to accept and guarantee freely was so that the bank could accept hire-purchase paper for British concerns and, having added its name to the paper, make it a more attractive market instrument. Especially in the present context of things, if paper of that sort was accepted, and if it yielded substantially in excess of the yield on Treasury bills, the incentive of American holders of dollars to transfer into it would be extremely strong. Incidentally, according to the press, First National

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City Bank, through International Banking Corporation, now proposed to acquire the stock of the Mercantile Bank of Canada as a means through which it could operate in Canada and attract American dollar deposits to Canada, which deposits could be employed in other markets. To Governor Mills, this showed the drift of the times. If, at the end of today's discussion, the Board decided to approve the revised Regulation M, he would like to have his dissent recorded.

Governor Shepardson referred to the position taken by the Comptroller of the Currency in respect to the making of acceptances by national banks and said that, assuming the authority of the Comptroller to issue such a ruling, this would appear to create a disparity of authority as between State member and national banks. To the extent possible, this should be reconciled. As to the point on flow of funds raised by Governor Mills, Governor Shepardson suggested that there was involved the broad question of implementing the apparent intent of a law, on the one side, and aggravating the flow-of-funds problem on the other. However, from the standpoint of implementing by regulation the intent of the law, he felt that the proposed revision of Regulation M was appropriate.

Governor Mitchell commented that he agreed with Governor Shepardson that, so far as possible, State member and national banks should be treated the same. He agreed with much of what Governor Mills had said about the impact of the proposed Regulation M on the balance

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of payments. The revised Regulation would have an unfortunate impact if it were seized upon by the national banks immediately. However, he had been trying to think about this matter, and also the proposed revision of Regulation K, from a longer run standpoint, hoping that the banks would not use the powers they were being given in a manner contrary to the public interest. As to the question of the extent to which foreign branches of national banks should be allowed to underwrite and deal in foreign obligations, it seemed to him that the purpose of the law was to help American banks finance U. S. trade abroad, and he could not see that the financing of foreign local governments and instrumentalities had anything to do with that objective. He would feel quite strongly that the Regulation should not be broadened to include power to underwrite and deal in obligations of agencies, instrumentalities, and political subdivisions of foreign governments not supported by the full faith and credit of the national government involved. If it was the intent to permit U. S. banks to operate as world-wide institutions irrespective of the interests of the United States, he might be able to go along with such broadening, but he did not believe U. S. institutions should be internationalized in this way. There should always be a tie-back to the interests of this country.

Governor Balderston felt fairly sure Governor Mills was correct in his belief that Americans seeking to place funds overseas would have added opportunities through what the Board was doing. His conclusions

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on the more specific points under discussion conformed to those of Governor Mitchell. Unless legislation prevented the Board from placing national and State member banks on an equal basis, he would favor doing that. He would not broaden the power of foreign branches of national banks to underwrite and deal in obligations of foreign instrumentalities not supported by the full faith and credit of the national government involved.

On the question of acceptance powers, Mr. Hackley noted that in many respects the powers of national and State banks are not the same. State banks obtain their powers from State law, while national banks obtain their powers from Federal law. Therefore, the Board would have no authority, as a legal proposition, to put State and national banks on the same basis unless this was in accord with State and Federal law. The Board had taken the position years ago that the Federal Reserve Act conferred no powers on State banks with respect to acceptances. If State banks had the power under State law, they could make acceptances. The Federal Reserve Act did not limit the nature of acceptances they could make, although it did limit the amount. But as to national banks, it seemed clear that they had no authority to accept drafts prior to the enactment of the Federal Reserve Act; a new power was being conferred on national banks. While the Comptroller's recent interpretation might be unsound, nevertheless it was an interpretation of a statute relating to the powers of national banks. There was little that could be done

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unless the interpretation was overruled by the courts or further legislation. Accordingly, a rather difficult dilemma was presented. Depending on what course it followed in Regulation M, the Board might seem to be either capitulating to the Comptroller or flouting the Comptroller's authority to interpret the law in its applicability to powers of national banks.

Chairman Martin expressed the view, for reasons that he outlined, that the Board should go as far as possible, consistent with the law, not to place banks that were compelled to be members of the Federal Reserve System at a disadvantage compared with banks that did not have to be members of the System.

There followed a discussion based on the section-by-section analysis of the revised draft of Regulation M that was included in the memorandum from the Legal and Examinations Divisions, and a consensus was reached on each point concerning which questions had been noted in the memorandum. It was understood that the agreements reached during this discussion would be reflected in the provisions of the revised Regulation.

Question was raised whether a further revised draft of the Regulation, based on the decisions reached at this meeting, should be brought back to the Board for consideration. However, Governor Mills expressed doubt that there was any vital reason to follow such a procedure, and there was general agreement with this view.

Accordingly, the revised Regulation M was adopted effective August 1, 1963, along with the conforming amendment to Regulation H,

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Governor Mills dissenting. Attached as Item No. 5 is a copy of the revised Regulation M in the form in which it was sent to the Federal Register; attached as Item No. 6 is a copy of the conforming amendment to Regulation H in the form in which it was sent to the Federal Register; attached as Item No. 7 is a copy of the press release that was issued by the Board on August 1, 1963.

Messrs. Young, Hooff, and Doyle then withdrew from the meeting.

Request for salary figures from bank examination reports. There had been distributed a memorandum from the Division of Examinations and the Division of Research and Statistics dated July 31, 1963, with regard to inquiries from the staff of the House Banking and Currency Committee as to whether the Board would consider providing summary information from reports of examination as to average bank officer salaries. The proposal would involve transmission to the Committee of average annual compensation figures for the ten top officer positions in various groups of banks sampled but would not involve identification of persons or individual banks. If such information were made available, it was understood that practically all management compensation information would be dropped from the questionnaire to be used in the Committee's forthcoming survey of bank management compensation and succession. The Committee staff understood that requests for similar data on national banks and nonmember insured banks should be addressed to the Comptroller of the Currency and the Federal Deposit Insurance Corporation, respectively;

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the staff of the Committee was prepared to make such requests if the Board, from its standpoint, had no objection to the proposal.

After discussion, it was understood that the Board would consider supplying such information, for State member banks, if it received a letter from the Committee requesting the information.

Inter-agency staff group on call reports. Chairman Martin informed the Board that the inter-agency staff group on call reports, comprised of representatives of the three bank supervisory agencies, was no longer functioning due to the unwillingness of the Comptroller of the Currency to continue further studies of the subject through that mechanism. The Chairman suggested that the Board's staff proceed with the study of alternate ways of obtaining needed statistical information now obtained through the condition reports.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Richmond (attached Item No. 8) approving the appointment of James T. Sexton as assistant examiner.

Letter to the Federal Reserve Bank of St. Louis (attached Item No. 9) approving the appointment of Ronald R. Lake as assistant examiner.

Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

Transfer

Bette L. Robinson, from the position of Statistical Clerk in the Division of Research and Statistics to the position of Statistical

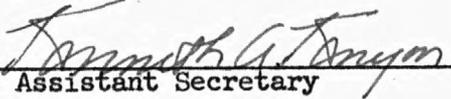
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Assistant in the Division of International Finance, with an increase in basic annual salary from \$4,390 to \$4,725, effective upon assuming her new duties.

Salary increase

Robert G. Sampson, Personnel Technician, Division of Personnel Administration, from \$5,725 to \$6,675 per annum, effective August 4, 1963.

  
Assistant Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 1  
8/1/63



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 1, 1963

Board of Directors,  
Isabella County State Bank,  
Mount Pleasant, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Isabella County State Bank, Mount Pleasant, Michigan, of a branch at 202 South College Street, Mount Pleasant, Michigan, provided the branch is established within one year from the date of this letter.

In connection with the above approval, it is understood (1) that the par value per share of present outstanding common stock will be reduced from \$100 to \$20; (2) that 8,000 shares of \$20 par value common stock will be sold to provide not less than \$400,000 new capital funds; and (3) that the outstanding \$60,000 par value preferred stock will be retired at par.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

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Item No. 2  
8/1/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 1, 1963

Honorable Erle Cocke, Sr., Chairman,  
Federal Deposit Insurance Corporation,  
Washington 25, D. C.

Dear Mr. Cocke:

Reference is made to your letter of July 25, 1963, concerning the application of Mound City Trust Company, St. Louis, Missouri, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 3  
8/1/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 1, 1963.



Mr. Albert Griffin, Vice President,  
Exchange National Bank,  
Winter Haven, Florida.

Dear Mr. Griffin:

This refers to your letter of June 20, 1963, inquiring whether it would be permissible under the Board's Regulation Q to delete the name of one depositor from a 12-month certificate of deposit originally issued jointly to a customer and his wife on January 2, 1963, at the maximum rate of 4 per cent. It is understood that no funds in the deposit will be paid out by your bank prior to the maturity stated in the original certificate.

The Board is of the opinion that under such circumstances the change of name would not constitute "payment" before maturity in violation of § 217.4(a) or (b) of Regulation Q or the related statutory provisions. For this reason the "date of deposit", as that term is used in § 217.6(a)(2) of the Regulation, would be January 2 rather than the date on which such change of name would be effected. There would, therefore, be no objection to payment of interest at the maximum rate of 4 per cent for the entire 12-month period.

Notwithstanding that the above-described change of name could be accomplished without violating Regulation Q, your bank may want carefully to consider the advisability of making such a change without the consent of both depositors.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON 25. D. C.

Item No. 4  
8/1/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



August 1, 1963

Southern Arizona Bank and Trust Company,  
Tucson, Arizona.

Gentlemen:

The Board of Governors of the Federal Reserve System, pursuant to the provisions of Section 13 of the Federal Reserve Act, authorizes your bank to accept commercial drafts or bills of exchange to an amount (which amount shall include any drafts and bills of exchange accepted by other banks for the account of your bank) not exceeding at any time, in the aggregate, 100 per centum of the paid up and unimpaired capital stock and surplus of your bank, provided that the aggregate of acceptances growing out of domestic transactions shall in no event exceed 50 per centum of such capital stock and surplus.

This authorization is subject to the provisions of the Federal Reserve Act and the Board's Regulation C issued pursuant thereto.

The right is reserved to terminate this authorization upon 90 days' written notice to your bank, as provided in Section 1(e)(2) of Regulation C.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

## TITLE 12--BANKS AND BANKING

## CHAPTER II--FEDERAL RESERVE SYSTEM

## SUBCHAPTER A--BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. M]

## PART 213--FOREIGN BRANCHES OF NATIONAL BANKS

1. Effective August 1, 1963, Part 213 is revised to read as follows:

Sec.

213.1 Authority and scope.

213.2 Definitions.

213.3 Establishing foreign branches.

213.4 Further powers of foreign branches.

213.5 Conditions.

213.6 Suspending operations during disturbed conditions.

AUTHORITY: §§ 213.1 to 213.6 issued under 12 U.S.C. 248(i).

Interprets or applies 12 U.S.C. 601-604a.

§ 213.1 Authority and scope.

Pursuant to authority conferred upon it by section 25 of the Federal Reserve Act (the "Act"), as amended (12 U.S.C. 601-604a), the Board of Governors of the Federal Reserve System (the "Board") prescribes the following regulations relating to foreign branches of national banks.

§ 213.2 Definitions.

For the purposes of this part --

(a) "Foreign branch" means any branch established by a national bank pursuant to section 25 of the Act.

(b) "Foreign country" or "country" includes any foreign nation or colony, dependency, or possession thereof, any overseas territory, dependency, or insular possession of the United States, or the Commonwealth of Puerto Rico.

§ 213.3 Establishing foreign branches.

A foreign branch may be established with prior Board permission. If a national bank has established a branch in a foreign country, it may, unless otherwise advised by the Board, establish other branches in that country after thirty days' notice to the Board with respect to each such branch.

§ 213.4 Further powers of foreign branches.

In addition to its other powers, a foreign branch may, subject to § 213.5 and so far as usual in connection with the transaction of the business of banking in the places where it shall transact business:

(a) Guarantee customers' debts or otherwise agree for their benefit to make payments on the occurrence of readily ascertainable events,<sup>1/</sup> if the guarantee or agreement specifies its maximum monetary

<sup>1/</sup> Including, but not limited to, such types of events as nonpayment of taxes, rentals, customs duties, or costs of transport and loss or nonconformance of shipping documents.

liability thereunder; but, except to the extent secured with respect thereto, no national bank may have such liabilities outstanding

(1) in an aggregate amount exceeding 50 per cent of its capital and surplus or (2) for any customer in excess of the amount by which 10 per cent of its capital and surplus exceeds the aggregate of such customer's "obligations" to it which are subject to any limitation under section 5200 of the Revised Statutes (12 U.S.C. 84);

(b) Accept drafts or bills of exchange drawn upon it, which shall be treated as "commercial drafts or bills" for the purposes of paragraphs (c), (d), and (e) of § 203.1 of Part 203 (Reg. C);

(c) Acquire and hold securities (including certificates or other evidences of ownership or participation) of the central bank, clearing houses, governmental entities, and development banks of the country in which it is located, unless after such an acquisition the aggregate amount invested by the branch in such securities (exclusive of securities held as required by the law of that country or as authorized under section 5136 of the Revised Statutes (12 U.S.C. 24)) would exceed one per cent of its total deposits on the preceding year-end call report date (or on the date of such acquisition in the case of a newly established branch which has not so reported);

(d) Underwrite, distribute, buy, and sell obligations of the national government of the country in which it is located;<sup>2/</sup> but no bank may hold, or be under commitment with respect to, obligations of

<sup>2/</sup> Including obligations issued by any agency or instrumentality, and supported by the full faith and credit, of such government.

such a government as a result of underwriting, dealing in, or purchasing for its own account in an aggregate amount exceeding 10 per cent of its capital and surplus;

(e) Take liens or other encumbrances on foreign real estate in connection with its extensions of credit, whether or not of first priority and whether or not such real estate is improved or has been appraised;

(f) Extend credit to an executive officer of the branch in an amount not to exceed \$20,000 or its equivalent in order to finance the acquisition or construction of living quarters to be used as his residence abroad, provided each such credit extension is promptly reported to its home office.

#### § 213.5 Conditions.

(a) Nothing in § 213.4 shall authorize a foreign branch to engage in the general business of producing, distributing, buying, or selling goods, wares, or merchandise or, except as permitted by § 213.4(d), to engage or participate, directly or indirectly, in the business of underwriting, selling, or distributing securities.

(b) The continued or prospective exercise of any power under § 213.4 shall be subject to any notice interpreting or applying the terms of this part that a national bank may receive from the Board, and such bank shall cause its foreign branches to comply therewith; such branches may, however, unless the Board specifies otherwise, complete transactions undertaken prior to receipt thereof by the national bank.

(c) The Board may from time to time require a national bank to submit information regarding compliance with this part.

§ 213.6 Suspending operations during disturbed conditions.

The officer in charge of a foreign branch may suspend its operations during disturbed conditions which, in his judgment, make conduct of such operations impracticable; but every effort shall be made before and during such suspension to serve its depositors and customers. Full information concerning any such suspension shall be promptly reported to the branch's home office, which shall immediately send a copy thereof to the Board through the Federal Reserve Bank of its district.

2a. The purposes of this revision are to implement Public Law 87-588, approved August 15, 1962 (76 Stat. 388, 12 U.S.C. 604a), which empowered the Board of Governors of the Federal Reserve System to issue regulations authorizing foreign branches of national banks to exercise additional powers (with certain exceptions) which are usual in connection with the banking business abroad, and to simplify the procedure under which a national bank may establish additional branches in a particular foreign country.

b. This part was the subject of a Notice of Proposed Rule Making published in the Federal Register (28 F. R. 702, January 25, 1963) and was adopted by the Board after consideration of all relevant material, including responses and other information received from interested persons pursuant to said notice. The prior publication described in

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section 4(c) of the Administrative Procedure Act is unnecessary in connection with this part for the reasons and good cause found as stated in § 262.1(e) of this chapter, and especially because this part grants exemption from, and otherwise relieves restrictions imposed by, other provisions of law and such prior publication would not aid the persons affected or otherwise serve any useful purpose and would prevent this part from becoming effective as promptly as desirable for the convenience of the national banks affected.

Dated at Washington, D. C., this 1st day of August, 1963.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Signed) Kenneth A. Kenyon

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Kenneth A. Kenyon,  
Assistant Secretary.

(SEAL)

Item No. 6  
8/1/63

## TITLE 12--BANKS AND BANKING

## CHAPTER II--FEDERAL RESERVE SYSTEM

## SUBCHAPTER A--BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. H]

PART 208--MEMBERSHIP OF STATE BANKING INSTITUTIONS  
IN THE FEDERAL RESERVE SYSTEM

## Establishing Foreign Branches

1. Effective August 1, 1963, paragraph (e) of § 208.8 is revoked, and paragraph (d) thereof is amended to read as follows:

§ 208.8 Establishment or maintenance of branches.

\* \* \* \* \*

(d) Foreign branches.--With prior Board approval, a member State bank having capital and surplus of \$1,000,000 or more may establish branches in "foreign countries", as defined in § 213.2(b) of Part 213 (Reg. M). <sup>8a/</sup> If a member State bank has established a branch in such a country, it may, unless otherwise advised by the Board, establish other branches therein after thirty days' notice to the Board with respect to each such branch.

2a. The purpose of this amendment is to conform the procedure under which a member State bank may establish branches abroad to that set forth with respect to national banks in § 213.3 of the revision of Part 213, adopted simultaneously herewith.

<sup>8a/</sup> Section 213.2(b) of Regulation M defines "foreign countries" to include "any foreign nation or colony, dependency, or possession thereof, any overseas territory, dependency, or insular possession of the United States, or the Commonwealth of Puerto Rico."

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b. The fact that this conforming amendment would be required by the third paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 321) upon adoption of the aforementioned § 213.3 was noted in a footnote thereto in a Notice of Proposed Rule Making (28 F.R. 702, January 25, 1963) setting forth a proposed revision of said Part 213. The notice and public procedure described in sections 4(a) and 4(b) of the Administrative Procedure Act is not otherwise followed, and the prior publication described in section 4(c) of such Act is unnecessary, in connection with this conforming amendment for the reasons and good cause found as stated in § 262.1(e) of this chapter, and especially because this amendment relieves restrictions otherwise applicable and such notice, procedure, and prior publication would not aid the persons affected or otherwise serve any useful purpose and would prevent this conforming amendment from becoming effective simultaneously with similar provisions applicable to national banks in the aforementioned revision of Part 213 and as promptly as desirable for the convenience of the member State banks affected.

Dated at Washington, D. C., this 1st day of August, 1963.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Signed) Kenneth A. Kenyon

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Kenneth A. Kenyon,  
Assistant Secretary.

(SEAL)



# FEDERAL RESERVE

press release

2551

Item No. 7  
8/1/63

For immediate release

August 1, 1963.

The Board of Governors today adopted a revision, effective August 1, 1963, of its Regulation M affecting foreign branches of national banks. Under section 25 of the Federal Reserve Act the Board may authorize national banks to establish branches abroad for the furtherance of United States foreign commerce.

The new Regulation is designed primarily to implement an amendment to section 25 of the Act (Public Law 87-588) which empowered the Board to issue regulations authorizing foreign branches of national banks to exercise additional powers (with certain exceptions) which are usual abroad. The purpose of Public Law 87-588 was to improve the usefulness of foreign branches of national banks. The revised Regulation will apply to the five national banks which operate a total of 121 overseas branches located in 39 foreign countries and overseas areas of the United States.

Subject to certain conditions imposed in § 213.5, the revision authorizes foreign branches of national banks to exercise the following powers so far as they may be usual in the banking business at the place where such a branch is operating:

-2-

1. To issue guarantees and similar agreements, provided that the aggregate unsecured amount thereof for the national bank (including all its branches) does not exceed fifty per cent of the bank's capital and surplus, and that the combined total of unsecured guarantees issued for the benefit of any one customer and of other obligations owed the bank by such customer (with certain exceptions) shall not exceed ten per cent of the bank's capital and surplus.

2. To accept drafts or bills of exchange, subject only to the usual amount limitations of the Board's Regulation C.

3. To invest in the securities (including stock) of the central bank, clearing houses, governmental entities, and development banks of the country in which the branch is located; but a particular branch's total investments of this type (excluding investments required by foreign law) may not exceed one per cent of its total deposits.

4. To underwrite and deal in obligations of the national government of the country in which the branch is located, including obligations issued by agencies or instrumentalities of such government if supported by the full faith and credit of the national government; but no bank (including all its branches) may hold for its own account the obligations of any such government exceeding in the aggregate ten per cent of its capital and surplus.

5. To take liens on foreign real estate in connection with extensions of credit without complying with certain requirements of section 24 of the Federal Reserve Act (12 U.S.C. 371).

6. To make loans to executive officers of the branch for the purpose of acquiring residences abroad, if such loans do not exceed \$20,000 for any officer.

The revision also simplifies the procedure under which national banks may establish foreign branches by providing in § 213.3 that if a national bank has established a branch in any particular foreign country with Board approval, it may establish additional branches in that country after thirty days' notice to the Board with respect to each such branch. In order that the same procedure may apply with respect to the establishment of foreign branches by member State banks, the Board has adopted simultaneously with this revision an amendment to § 208.8(d) and (e) of its Regulation H, conforming the procedure thereof to the provisions applicable to national banks under said § 213.3.

The former Regulation M regarding the suspension of operations abroad applied to branches and agencies abroad of Edge Act and Agreement corporations, as well as to foreign branches of national banks. So far as applicable to national banks, similar provisions now appear in § 213.6 of the revision.

The revision has been prepared in light of comments received by the Board subsequent to publication of a proposed revision of the Regulation in the Federal Register of January 25, 1963. Copies of the revision and of the conforming amendment to Regulation H are attached hereto.

Attachments



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

2554

Item No. 8  
8/1/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 1, 1963

Mr. John L. Nosker, Vice President,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of July 24, 1963, the Board approves the appointment of James T. Sexton as an assistant examiner for the Federal Reserve Bank of Richmond, effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 9  
8/1/63



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 2, 1963

CONFIDENTIAL (FR)

Mr. O. O. Wyrick, Vice President,  
Federal Reserve Bank of St. Louis,  
St. Louis 66, Missouri.

Dear Mr. Wyrick:

In accordance with the request contained in your letter of July 24, 1963, the Board approves the appointment of Ronald R. Lake as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise the effective date of the appointment.

It is noted that Mr. Lake is indebted to Fenton Bank, Fenton, Missouri, a State member bank. Accordingly, the Board's approval of the appointment of Mr. Lake is given with the understanding that he will not participate in any examination of Fenton Bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.