

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6912]
March 10, 1972

Change in Guidelines for Banks Under the
President's Balance of Payments Program

Effective March 9, 1972

To All Banks in the Second Federal Reserve District:

The following statement was made public yesterday by the Board of Governors of the Federal Reserve System:

The Board of Governors today amended the Voluntary Foreign Credit Restraint (VFCR) guidelines to prevent subsidiary banks in a holding company from consolidating a newly acquired lending ceiling with ceilings of other banks in the same holding company. Consolidation of ceilings, among holding company members, had been permissible if only one of the banks in question had a ceiling on November 11, 1971, when the guidelines were last revised.

The modification is intended to safeguard the express intention of the Board to make ceilings available to banks that wanted to enter, and actively engage in, the foreign lending field. If ceilings designed to allow banks directly to develop a foreign lending business become available to banks already established in that business, their purpose would be lost, and their use could lead to an unintended expansion of aggregate foreign lending by U.S. banks.

The text of the change in the guidelines, effective March 9, 1972, is printed below. Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President.

CHANGE IN GUIDELINES FOR BANKS

Effective March 9, 1972

II. BANKS

D. Applicability to banks and bank-related financial institutions

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3. Bank holding companies

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d. Consolidation of ceilings of bank subsidiaries of holding companies. A bank subsidiary (including a bank holding company) may elect to consolidate its ceiling with that of one or more of the holding company's other bank subsidiaries only if each bank subsidiary involved in the contemplated consolidation had a ceiling under the previous guidelines. Such election should be made known in advance to the respective Federal Reserve Banks. Ceilings adopted under the present guidelines should not be consolidated. Ceilings that were consolidated before March 9, 1972 in conformity with the guidelines may remain consolidated.