

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7603]
April 3, 1975

FOREIGN ACTIVITIES OF NATIONAL BANKS

—Extensions of Credit to Executive Officers

—Engaging in Certain Insurance Agency and Brokerage Activities

To All Member Banks, and Others Concerned,
in the Second Federal Reserve District:

The Board of Governors of the Federal Reserve System has proposed amendments to its Regulation M, "Foreign Activities of National Banks," that would (a) increase the amount of credit a foreign branch of a national bank may extend to an executive officer of the branch to finance living quarters, and (b) allow a foreign branch to engage in certain insurance agency and brokerage activities.

Printed below is the text of the proposal. Comments thereon should be submitted by May 9, 1975, and may be sent to our Foreign Banking Applications Department.

ALFRED HAYES,
President.

REGULATION M—FOREIGN ACTIVITIES OF NATIONAL BANKS

Notice of Proposed Rulemaking

In response to requests received from member banks, the Board of Governors of the Federal Reserve System is considering amending Part 213 (Regulation M) pursuant to section 25 of the Federal Reserve Act, 12 U.S.C. 604(a). That section allows the Board, by regulation, to authorize foreign branches of member banks, subject to certain limitations and conditions, to exercise, in addition to their charter powers, such further powers as may be usual in connection with the transaction of the business of banking in the places where such foreign branches transact business.

The first proposed amendment would increase from \$50,000 to \$100,000 the amount of credit which a foreign branch of a member bank may extend to an executive officer of the branch 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. This proposal has the effect of relieving a restriction and it is not, therefore, necessary that it be published for comment, 5 U.S.C. 553(d). The Board feels, however, that in order to determine an appropriate figure it would be in the public interest to receive comments on this matter from interested persons.

The second proposed amendment would allow foreign branches of member banks to engage in insurance agency and brokerage activities where such activities are usual in connection with the transaction of the business of banking in the place where the foreign branch transacts its business.

To aid in the consideration of these matters by the

Board, interested persons are invited to submit relevant data, views, or arguments. Any such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551. All material submitted on or before May 9, 1975, will be considered by the Board.

To implement its proposal, the Board would amend § 213.3(b) by substituting the figure \$100,000 for the figure \$50,000 in subparagraph (6), by substituting a semicolon for a period at the end of subparagraph (7), and by adding a new subparagraph (8).

As amended, § 213.3(b) would read as follows:

(b) **Further powers of foreign branches.** In addition to its other powers, a foreign branch may, subject to §§213.3(c) and 213.6 and *so far as usual in connection with the transaction of the business of banking in the places where it shall transact business:*

* * *

(6) Extend credit to an executive officer of the branch in an amount not to exceed \$100,000 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;

(7) Pay to any officer or employee of the branch a greater rate of interest on deposits than that paid to other depositors on similar deposits with the branch;

(8) Act as insurance agent or broker.