

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 8321 ]  
April 18, 1978

BANK HOLDING COMPANIES

Proposal Regarding Establishment of Foreign Offices by Nonbank Subsidiaries

To All Bank Holding Companies, and Others Concerned,  
in the Second Federal Reserve District:

Following is the text of a statement issued April 10 by the Board of Governors of the Federal Reserve System regarding a proposed amendment to its Regulation Y, "Bank Holding Companies":

The Board of Governors of the Federal Reserve System today proposed for public comment rules by which nonbanking subsidiaries of U.S. based bank holding companies may establish new foreign offices.

The Board asked for comment by May 23, 1978.

The proposed rule would formalize current procedures as an amendment of the Board's Regulation Y. In proposing the rules the Board said that although it is permissible for domestic nonbanking subsidiaries of bank holding companies to set up new offices abroad there is confusion as to the appropriate procedures and this had led to an impression that such branches are not permissible.

The proposed procedure would require bank holding companies seeking to establish a new foreign office of a nonbanking subsidiary to inform the appropriate Reserve Bank 45 days before the new office is opened.

However, a bank holding company would not be required—as it is when opening a new domestic branch of a nonbanking subsidiary—to publish a notice of the proposed action in a newspaper of general circulation in the communities to be served before opening a new office abroad.

Printed below is the text of the Board's proposal. Comments should be submitted by May 23, and may be sent to our Domestic Banking Applications Department.

PAUL A. VOLCKER,  
*President.*

[Regulation Y; Docket No. R-0151]

NONBANKING ACTIVITIES

*AGENCY:* Board of Governors of the Federal Reserve System.

*ACTION:* Proposed rule.

*SUMMARY:* In order to clarify its policy, the Board of Governors proposes to amend its Regulation Y to formalize procedures for the establishment of foreign offices of bank holding companies' domestic nonbanking subsidiaries.

*DATE:* Comments must be received on or before May 23, 1978.

*ADDRESS:* Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. All material submitted should include the docket number R-0151.

*FOR FURTHER INFORMATION CONTACT:* Robert E. Mannion, Associate General Counsel (202/452-3274); or C. Keefe Hurley, Jr., Senior Attorney, Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 (202/452-3269).

*SUPPLEMENTARY INFORMATION:* The proposed rule sets forth procedures to be followed by bank holding companies in establishing a foreign *de novo* office to engage in activities permissible for bank holding companies. According to the proposed rule, bank holding companies seeking to establish such an office need not publish notice of the proposed office in the country where the office is to be located. Notification must, however, be given to the appropriate Reserve Bank 45 days prior to the opening of such office. Such

(OVER)



notification shall include the location of the proposed office and a complete description of the activities to be engaged in by the office as well as the area to be served. As with the other foreign operations of United States banking organizations, bank holding companies that establish foreign nonbanking offices pursuant to these procedures will be expected to comply with the Board's Statement of Policy on Availability of Information to Facilitate Supervision of Foreign Operations of Member Banks, 12 C.F.R. 211.110 and 213.104. Bank holding companies that wish to acquire shares of foreign companies must still do so under §4(c)(13) of the Bank Holding Company Act, 12 U.S.C. 1843(c)(13), and §225.4(f) of the Board's Regulation Y, 12 C.F.R. 225.4(f). This action is taken pursuant to the Board's authority under sections 4(c)(8) and 5(b) of the Bank Holding Company Act, 12 U.S.C. 1843(c)(8) and 1844(b).

It is proposed that 12 C.F.R. Chapter II be amended as follows:

#### PART 225—BANK HOLDING COMPANIES

1. By substituting a colon for the period at the end of the first sentence of §225.4(b)(1) and adding a proviso thereafter so that §225.4(b)(1) reads as follows:

##### §225.4 Nonbanking activities.

\* \* \*

##### (b)(1) *De novo* entry\*\*\*

*Provided, however,* That in the case of a *de novo* office to be located outside the United States, in lieu of published notice, the company shall notify its Reserve Bank of the proposal, including in such notification the location of the office and a complete description of the activities to be engaged in and the area to be served.

\* \* \*

Board of Governors of the Federal Reserve System,  
April 7, 1978.