

FEDERAL RESERVE BANK  
OF NEW YORK

[Circular No. 5518]  
July 15, 1964]

Investments By Member Banks in Stock of Foreign Banks

*To the Member Banks of the Second Federal Reserve District:*

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

Question has arisen whether member banks may directly acquire and hold stock of foreign banks as a means of conducting their overseas operations.

In the opinion of the Board, it is clear that such direct acquisition and holding by member banks of stock of foreign banks is not permissible under present law. State member banks are made subject by Section 9 of the Federal Reserve Act (12 U.S.C. 335) to the same limitations and conditions with respect to the purchasing and holding of stock as are applicable in the case of national banks under Section 5136 of the Revised Statutes (12 U.S.C. 24). Under the last-mentioned section, a national bank is prohibited from purchasing for its own account any shares of stock of any corporation except as provided in that section or "otherwise permitted by law." There is no provision in Section 5136 or any other provision of law permitting the purchase by national banks of stock of foreign banks.

It may be noted that, under Section 25 of the Federal Reserve Act (12 U.S.C. 601) and the provision of Section 9 of the Act, previously mentioned, member banks are permitted, subject to approval of the Board of Governors and regulations prescribed by the Board, to acquire stock of corporations chartered under Federal or State law that are principally engaged in international or foreign banking. Through such intermediate subsidiaries, a member bank may indirectly acquire and hold the stock of foreign banks.

ALFRED HAYES,  
*President.*