

APPLICATION REQUIRING BOARD ACTION

REC'D IN RECORDS SE

Date December 10, 1969 *AUG 31 1970*

Federal Reserve District 2 *AB-2 12/10/69*  
*Good RKO*

By: Allied Bank International ("ABI"), New York, New York,  
a Section 25(a) Corporation.

For: Permission to establish a branch in Nassau, Bahamas.

Interagency Clearance

The Office of International Monetary Affairs, Department of State advised informally on December 9, 1969, that the Department perceived no objection to the proposed establishment.

Recommendations

*12/5/69*  
Federal Reserve Bank: Approval.

*11/1*  
Division of Supervision  
and Regulation: Approval.

*[Signature]*  
Review Examiner

*[Signature]*  
Assistant Director

Details regarding ABI and the proposed branch are set forth in the attached memorandum of the Federal Reserve Bank of New York.

This application was mentioned to the Board in relation to the applications by certain of the stockholders of ABI for branches in Nassau.

Foreign Credit Restraint Program

Outstandings as of October 31, 1969, were \$29.1 million and adjusted ceiling \$37.5 million.

Attachments - Memorandum from the FRB of New York dated December 4, 1969.  
Proposed letter.

*JH*  
**FILE COPY**

*See Minutes*  
*12/17/69*  
*1/7/70*

FEDERAL RESERVE BANK OF NEW YORK

TO: BEX Files December 4, 1969

FROM: Stella E. Walsh, Analyst

SUBJECT: Application of Allied Bank International, New York, New York, for permission to establish a foreign branch in Nassau, Bahamas.

ALLIED BANK INTERNATIONAL

Condensed statement of condition as of June 30, 1969, in thousands of dollars:

<u>Assets</u>		<u>Liabilities</u>	
Cash and due from banks	\$46,135	Demand deposits	\$44,497
Loans and overdrafts	46,931	Time deposits	2,120
Other assets	6,079	Other liabilities	20,178
		Capital stock and surplus	32,219
		Undivided profits	131
	<u>\$99,145</u>		<u>\$99,145</u>

Allied Bank International (ABI) is a Corporation organized under Section 25(a) of the Federal Reserve Act. ABI's present stockholders consist of sixteen regional banks located throughout the United States. 1/ On April 10, 1968, the Board of Governors approved the Articles of Association and Organization Certificate and issued a preliminary permit authorizing the Corporation to exercise such of the powers conferred by Section 25(a) of the Federal Reserve Act as are incidental and preliminary to its organization. The final permit of the Board of Governors granting the Corporation authority to commence business was issued on October 4, 1968. The Corporation commenced business on October 22, 1968.

EXISTING OVERSEAS BRANCHES

ABI currently has one foreign branch, located in London, England, which is the "major source of Euro-dollar deposits for ABI in its international operations". As of June 30, 1969, none of ABI's present shareholder banks operated any foreign branches.

1/ There is pending before the Board an application to amend the Articles of Association of ABI to provide for an increase in its outstanding capital stock from \$24,000,000 to \$25,500,000 and to add United States National Bank of Oregon, Portland, Oregon, to the present shareholders.

## FEDERAL RESERVE BANK OF NEW YORK

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### PROPOSED BRANCH

ABI proposes to establish a branch in Nassau, Bahamas, but has not yet determined the specific site. When the actual location has been decided upon, the information will be forwarded to the Board.

### COMPETITIVE SITUATION

According to Polk's World Bank Directory (149th Edition, March 1969), there were 34 banking organizations, including five United States banks, with offices in Nassau. By June 30, 1969, the number of United States banks operating branches in Nassau had increased to seventeen. ABI feels that the suitability of Nassau as a banking center is emphasized by the recent substantial increase in the number of branches.

### SCOPE OF FUNCTIONS AND PROSPECTS FOR SUCCESSFUL OPERATION

ABI states that the purpose of establishing this branch is to eliminate the double taxation which would be incurred on certain loans made by its London branch, but which would not be imposed by Bahamian law. Included among these loans would be those made to United States corporations and to foreign corporations whose incomes are 50 percent or more effectively connected with United States trade or business. Funds needed to carry on the financing operations of the Nassau branch will be obtained primarily from offshore Euro-currency deposits.

The proposed branch will not conduct a local banking business. It is expected that operating personnel will consist of three or four people.

### INVESTMENT IN BANKING QUARTERS

ABI contemplates the establishment of a small office. The initial startup costs are not expected to exceed US\$75,000. Details with respect to quarters and location will be provided by ABI at a later date.

### APPROVAL OF FOREIGN GOVERNMENT

ABI has indicated that it has not yet received the necessary local approvals for the establishment of the branch; however, it anticipates no difficulty in this regard.

FEDERAL RESERVE BANK OF NEW YORK

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VOLUNTARY FOREIGN CREDIT RESTRAINT PROGRAM

ABI has informed us that the proposed branch would be established within the guidelines set forth under the Administration's voluntary foreign credit restraint program. In this connection, the Foreign Department of this Bank has indicated that it has no objection to the establishment of the proposed branch either under the voluntary foreign credit restraint program, or otherwise.

COMMENTS AND RECOMMENDATION

The establishment of the proposed branch would provide ABI with added flexibility in pursuing a competitive overseas investment program by enabling it to raise offshore funds for the financing of these activities, without adversely affecting the United States balance of payments.

Accordingly, I recommend that Allied Bank International, New York, New York, be permitted to establish a branch in Nassau, Bahamas, provided the branch is established within one year from the date of the Board's approval, and also provided that the establishment of the branch is made subject to the same conditions which the Board has imposed in its recent approvals for the establishment of other branches in Nassau, Bahamas.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPOND  
TO THE BOARD

Allied Bank International,  
116 East 55th Street,  
New York, New York. 10022

Gentlemen:

The Board of Governors of the Federal Reserve System grants its permission to Allied Bank International, New York, New York, pursuant to the provisions of Section 25(a) of the Federal Reserve Act, to establish a branch in Nassau, Bahamas, and to operate and maintain such branch subject to the provisions of such Section and of Regulation K.

In granting this permission, it is understood that the branch will be used for developing new international business and not as a means of shifting loans or deposits from offices in the United States. In view of the character of this operation, the foregoing permission is granted subject to continuing special observation and review by the Board and after due notice may be withdrawn or modified. The foregoing permission is also granted on the condition that adequate information covering the branch's operations will be maintained at your head office and will be available to the Board and its accredited representatives. The Board should be promptly informed of any modification in the branch's methods of operation.

Unless the branch is actually established and opened for business on or before January 1, 1971, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

Please advise the Board of Governors, through the Federal Reserve Bank of New York, when the branch is opened for business, furnishing information as to the exact location of the branch. The Board should also be promptly informed of any future change in location of the branch in Nassau.

Section 211.7(c) of Regulation K subjects only the deposits received in the United States by Edge Corporations to the requirements of Regulations D, as to reserves, and Q, as to the payment of interest thus exempting deposits received and payable only at foreign branches of the Corporations from those requirements. The general purpose of these exemptions is to allow foreign branches of United States banking institutions to compete abroad with foreign banks. In these circumstances, it has long been and continues to be the policy of the Federal Reserve System to discourage deposits by United States residents at foreign branches of United States banking institutions unless such deposits have been placed to serve a definite, necessary purpose in connection with foreign or international transactions outside the United States.

With respect to the establishment of foreign branches, funds provided by home office (whether in the form of allocated capital, advances, or otherwise) should be regarded as foreign assets for purposes of the foreign credit restraint effort. In view of the Board's concern with minimizing the impact of foreign investments on the balance of payments, the above consent is given with the understanding that in the conduct of the branch's operations maximum reliance will be placed on resources obtained outside the United States. Accordingly it is understood that any investment required will be made within the guidelines established under the foreign credit restraint effort now in effect as they apply to the foreign lending and investment activities of your Corporation, and that due consideration is being given to the priorities contained therein.

Very truly yours,

Robert P. Forrestal,  
Assistant Secretary.