

200,1901 - Done 7/10/70  
Sherrill

March 2, 1970.

To: Board of Governors                      Subject: Proposed delegations of  
From: Governor Sherrill                      authority in the foreign area.

For technical reasons, I recommend that the suggested revision of subsection (b) of section 265.1a of the Board's Delegation Rules, regarding delegation to a Board member of authority to approve foreign investments, as set forth on page 3 of my memorandum of February 25, 1970, be changed to read as in the form attached hereto.

The principal change is to differentiate between the existing delegation of authority with respect to acquisitions of minority interests and the proposed further delegation of authority with respect to acquisitions that would result in effective control. The language suggested earlier, by combining both delegations in a single paragraph, would in fact have restricted the present delegation as to acquisitions of minority interests, since that delegation covers investments in any foreign company, whether or not a financial institution, whereas the proposed delegation with respect to acquisitions of a controlling interest would extend only to interests in a foreign financial institution that does not transact business in the United States.

Attachment

HHA:rac  
3/2/70

Legal Files

Proposed Revision of Section 265.1a(b)

(b) With respect to acquisitions of stock or other certificates of ownership by a member bank or an Edge or Agreement corporation:

(1) To grant specific consent for any such acquisition, either direct or indirect, that does not result in the acquisition, either directly or indirectly, of effective control of any foreign company (other than a company performing nominee, fiduciary, or other banking services incidental to the activities of a foreign branch or affiliate of such bank or corporation);

(2) To grant specific consent, in accordance with such conditions as the Board has prescribed as a matter of policy, for any such acquisition, direct or indirect, of shares of stock or other certificates of ownership that results in effective control of a foreign company if such company is a financial institution that does not transact any business in the United States and does not hold (directly or through a subsidiary) any equity interest in companies transacting any such business; and

(3) To approve any such acquisition by an Edge or Agreement corporation that may exceed the limitation in paragraph 8 of section 25(a) of the Federal Reserve Act based on such a corporation's capital and surplus.