§ 211.10 Permissible activities abroad.

(a) Activities usual in connection with banking. The Board has determined that the following activities are usual in connection with the transaction of banking or other financial operations abroad:

1. Commercial and other banking activities;
2. Financing, including commercial financing, consumer financing, mortgage banking, and factoring;
3. Leasing real or personal property, or acting as agent, broker, or advisor in leasing real or personal property consistent with the provisions of Regulation Y (12 CFR part 225);
4. Acting as fiduciary;
5. Underwriting credit life insurance and credit accident and health insurance;
6. Performing services for other direct or indirect operations of a U.S. banking organization, including representative functions, sale of long-term debt, name-saving, holding assets acquired to prevent loss on a debt previously contracted in good faith, and other activities that are permissible domestically for a bank holding company under sections 4(a)(2)(A) and 4(a)(2)(B) of the Bank Holding Company Act of 1956.
7. Investment in organization equal to cash dividends. Any investment in an organization in an amount equal to cash dividends received from that organization during the preceding 12 calendar months;
8. Investment acquired from affiliate. Any investment that is acquired from an affiliate at net asset value or through a contribution of shares.
9. Investments ineligible for general consent. An investment in a foreign bank may not be made under authority of paragraphs (b) or (c) of this section if:
   1. After the investment, the foreign bank would be an affiliate of a member bank;
   2. The foreign bank is located in a country in which the member bank and its affiliates have no existing banking presence.

(b) Prior notice. An investment that does not qualify for general consent under paragraph (b), (c), or (d) of this section may be made after the investor has given the Board 30 days' prior written notice, such notice period to commence at the time the notice is received, provided that:

1. The Board may waive the 30-day period if it finds the full period is not required for consideration of the proposed investment, or that immediate action is required by the circumstances presented; and
2. The Board may suspend the 30-day period or act on the investment under the Board's specific consent procedures.

(c) Specific consent. Any investment that does not qualify for either the general consent or the prior notice procedure may not be consummated without the specific consent of the Board.

4(c)(1)(C) of the BHC Act (12 U.S.C. 1843(a)(2)(A)), (c)(1)(C));

(7) Holding the premises of a branch of an Edge or agreement corporation or member bank or the premises of a direct or indirect subsidiary, or holding or leasing the residence of an officer or employee of a branch or subsidiary;

(8) Providing investment, financial, or economic advisory services;

(9) General insurance agency and brokerage;

(10) Data processing;

(11) Organizing, sponsoring, and managing a mutual fund, if the fund’s shares are not sold or distributed in the United States or to U.S. residents and the fund does not exercise managerial control over the firms in which it invests;

(12) Performing management consulting services, if such services, when rendered with respect to the U.S. market, shall be restricted to the initial entry;

(13) Underwriting, distributing, and dealing in debt securities outside the United States;

(14) Underwriting and distributing equity securities outside the United States as follows:

(i) Limits for well-capitalized and well-managed investor—(A) General. After providing 30 days’ prior written notice to the Board, an investor that is well capitalized and well managed may underwrite equity securities, provided that commitments by an investor and its subsidiaries for the shares of a single organization do not, in the aggregate, exceed:

(1) 15 percent of the bank holding company’s tier 1 capital, where the investor is a bank holding company;

(2) 3 percent of the investor’s tier 1 capital, where the investor is a member bank; or

(3) The lesser of 3 percent of any parent insured bank’s tier 1 capital or 15 percent of the investor’s tier 1 capital, for any other investor;

(B) Qualifying criteria. An investor will be considered well-capitalized and well-managed for purposes of paragraph (a)(14)(i) of this section only if each of the bank holding company, member bank, and Edge or agreement corporation qualify as well-capitalized and well-managed.

(ii) Limits for investor that is not well capitalized and well managed. After providing 30 days’ prior written notice to the Board, an investor that is not well capitalized and well managed may underwrite equity securities, provided that commitments by the investor and its subsidiaries for the shares of an organization do not, in the aggregate, exceed $60 million; and

(iii) Application of limits. For purposes of determining compliance with the limitations of this paragraph (a)(14), the investor may subtract portions of an underwriting that are covered by binding commitments obtained by the investor or its affiliates from sub-underwriters or other purchasers;

(15) Dealing in equity securities outside the United States as follows:

(i) Grandfathered authority. By an investor, or an affiliate, that had commenced such activities prior to March 27, 1991, and subject to the limitations in effect at that time (See 12 CFR part 211, revised January 1, 1991); or

(ii) Limit on shares of a single issuer. After providing 30 days’ prior written notice to the Board, an investor may deal in the shares of an organization where the shares held in the trading or dealing accounts of an investor and its affiliates under authority of this paragraph (a)(15) do not in the aggregate exceed the lesser of:

(A) $40 million; or

(B) 10 percent of the investor’s tier 1 capital;

(iii) Aggregate equity limit. The total shares held directly and indirectly by the investor and its affiliates under authority of this paragraph (a)(15) do not in the aggregate exceed the lesser of:

(A) 25 percent of the bank holding company’s tier 1 capital, where the investor is a bank holding company;

(B) 20 percent of the investor’s tier 1 capital, where the investor is a member bank; and

(C) The lesser of 20 percent of any parent insured bank’s tier 1 capital or 100 percent of the investor’s tier 1 capital, for any other investor.

*For this purpose, a direct subsidiary of a member bank is deemed to be an investor.
(iv) Determining compliance with limits—(A) General. For purposes of determining compliance with all limits set out in this paragraph (a)(15):

(1) Long and short positions in the same security may be netted; and

(2) Except as provided in paragraph (a)(15)(iv)(B)(4) of this section, equity securities held in order to hedge bank permissible equity derivatives contracts shall not be included.

(B) Use of internal hedging models. After providing 30 days’ prior written notice to the Board the investor may use an internal hedging model that:

(1) Nets long and short positions in the same security and offsets positions in a security by futures, forwards, options, and other similar instruments referenced to the same security, for purposes of determining compliance with the single issuer limits of paragraph (a)(15)(i) of this section; and

(2) Offsets its long positions in equity securities by futures, forwards, options, and similar instruments, on a portfolio basis, and for purposes of determining compliance with the aggregate equity limits of paragraph (a)(15)(iii) of this section.

(C) Underwriting commitments. Any shares acquired pursuant to an underwriting commitment that are held for longer than 90 days after the payment date for such underwriting shall be subject to the limits set out in paragraph (a)(15) of this section and the investment provisions of §§ 211.8 and 211.9 of this part.

(v) Authority to deal in shares of U.S. organization. The authority to deal in shares under paragraph (a)(15) of this section includes the authority to deal in the shares of a U.S. organization:

(A) With respect to foreign persons only; and

(B) Subject to the limitations on owning or controlling shares of a company in section 4(c)(6) of the BHC Act (12 U.S.C. 1843(c)(6)) and Regulation Y (12 CFR part 225).

(vi) Report to senior management. Any shares held in trading or dealing accounts for longer than 90 days shall be reported to the senior management of the investor;

(16) Operating a travel agency, but only in connection with financial services offered abroad by the investor or others;

(17) Underwriting life, annuity, pension fund-related, and other types of insurance, where the associated risks have been previously determined by the Board to be actuarially predictable; provided that:

(i) Investments in, and loans and extensions of credit (other than loans and extensions of credit fully secured in accordance with the requirements of section 23A of the FRA (12 U.S.C. 371c), or with such other standards as the Board may require) to, the company by the investor or its affiliates are deducted from the capital of the investor (with 50 percent of such capital deduction to be taken from tier 1 capital); and

(ii) Activities conducted directly or indirectly by a subsidiary of a U.S. insured bank are excluded from the authority of this paragraph (a)(17), unless authorized by the Board;

(18) Providing futures commission merchant services (including clearing without executing and executing without clearing) for nonaffiliated persons with respect to futures and options on futures contracts for financial and nonfinancial commodities; provided that prior notice under §211.9(f) of this part shall be provided to the Board before any subsidiaries of a member bank operating pursuant to this subpart may

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5A basket of stocks, specifically segregated as an offset to a position in a stock index derivative product, as computed by the investor’s internal model, may be offset against the stock index.
Federal Reserve System

§ 211.12

In the case of a foreign government, these includes loans and extensions of credit to the foreign government’s departments or agencies deriving their current funds principally from general tax revenues. In the case of a partnership or firm, these include loans and extensions of credit to its members and, in

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