

MEMO# 1629

December 29, 1989

FED ORDER ALLOWS BANK HOLDING COMPANY SUBSIDIARY TO BROKER SHARES OF AFFILIATED FUNDS

December 29, 1989 TO: BOARD OF GOVERNORS NO. 79-89 SEC RULES COMMITTEE NO. 82-89 RE: FED ORDER ALLOWS BANK HOLDING COMPANY SUBSIDIARY TO BROKER SHARES OF AFFILIATED FUNDS _____ In an order issued December 20, 1989, the Federal Reserve Board approved the application of a bank holding company (Norwest Corporation) to engage in underwriting and dealing in certain securities to a limited extent, to engage in full service brokerage activities, to act as agent in the private placement of all types of securities and to engage in certain other activities. The Institute had filed a comment letter on Norwest's application in which it stated that, to the extent it was requesting authority to broker or privately place securities issued by affiliated investment companies, such activities were contrary to law. In its order, the Federal Reserve Board stated that the holding company subsidiary could broker shares of affiliated investment companies since it would be acting only as agent for customers and would not underwrite or deal in those securities. In addition, the Board noted that Norwest committed that it would not provide investment advice to brokerage customers regarding securities of investment companies advised by Norwest or any of its affiliates and that Norwest agreed to make certain disclosures to customers who purchase any such shares. The order also notes that Norwest did not request authority to privately place securities of affiliated investment companies. The Board stated in its order that it is "considering seeking public comment" regarding a proposed revision of its interpretive rule that prevents a bank holding company from engaging directly or indirectly in the sale or distribution of securities of any investment company for which it acts as investment adviser. A copy of the Board's order is attached. We will keep you informed of developments. Craig S. Tyle Associate General Counsel Attachment