

MEMO# 5951

June 7, 1994

OCC RESPONSE TO INSTITUTE LETTER ON INCONSISTENT DISCLOSURE

June 7, 1994 TO: BANK INVESTMENT MANAGEMENT MEMBERS NO. 22-94 BOARD OF GOVERNORS NO. 49-94 RE: OCC RESPONSE TO INSTITUTE LETTER ON INCONSISTENT DISCLOSURE _____ As we previously informed you, the Institute corresponded with the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the Office of the Comptroller of the Currency and the Federal Reserve Board, urging these agencies to resolve inconsistencies between the disclosure language they would apply under their guidelines to money market funds and that which is required by the Securities and Exchange Commission. (See Memorandum to the Board of Governors No. 12-94, Bank Investment Management Members No. 8-94, dated February 2, 1994.) The OCC recently sent the attached response to the Institute. (The FDIC and OTS had previously responded in letters that also are attached.) The OCC's letter states that the delay in responding to the Institute's letter was "due to the pendency of several OCC initiatives that were related to the issues raised in" the Institute's letter. The OCC's letter asserts that, in the meantime, the agency has "seriously responded to the need for regulatory coordination and consistency in bank related mutual fund sales." The OCC's letter further states that, after receiving the Institute's letter, the OCC arranged an interagency meeting with the three other banking agencies and the SEC, and included the Institute's letter on the agenda. At the meeting, the banking agencies noted the Interagency Statement on Sales of Nondeposit Investment Products "and encouraged the SEC to consider consistent disclosures where appropriate." (The Interagency Statement also requires disclosure language which, when applied to money market funds, would be inconsistent with the SEC-required language.) According to the OCC's letter, at the same meeting the OCC noted that the SEC's survey of mutual fund consumers last November indicated a high level of confusion among all mutual fund investors "regarding the federal government's role in backing mutual fund investments" and "it may be appropriate to reconsider the effectiveness of the securities regulatory disclosure requirements that have been used to-date." Finally, the OCC's letter notes that its recent orders approving acquisitions by First Union Bank and Mellon Bank state that the Interagency Statement does not proscribe the use of different disclosure language "so long as the customer receives a disclosure conveying the same information." We will keep you advised of further developments in this regard. Paul Schott Stevens General Counsel Attachments