

MEMO# 981

February 14, 1989

DIXON REINTRODUCES PROXMIRE BANKING BILL

February 14, 1989 TO: BOARD OF GOVERNORS NO. 10-89 FEDERAL LEGISLATION
COMMITTEE NO. 3-89 FEDERAL LEGISLATION MEMBERS NO. 4-89 RE: DIXON
REINTRODUCES PROXMIRE BANKING BILL

Senator Alan Dixon (D-IL)
introduced S.305, the "Proxmire Financial Modernization Act of 1989." The bill is nearly identical to one passed by the Senate last year; it again grants bank holding companies, through securities affiliates, the authority to underwrite most securities, including mutual funds. (See Institute Memo to Board of Governors No. 19-88, Federal Legislation Committee No. 1-88, and Members One Per Complex No. 13-88.) Senator Dixon was joined in sponsoring the bill by Senators Garn, Graham and Wirth. The notable change in the bill is that corporate debt underwriting is no longer delayed for six months; this reflects the January 18 Federal Reserve Board decision to permit bank holding companies to engage in underwriting corporate debt on a limited basis. The provisions which permit bank entry into the mutual fund business remain the same: permission for banks to distribute or "sell" funds directly is granted immediately; permission for bank holding companies to sponsor and underwrite mutual funds through a securities affiliate is granted 180 days after enactment. Last year, the Proxmire bill was passed by the Senate but was never considered by the House of Representatives. Copies of Senator Dixon's and Senator Garn's Congressional Record statements are attached. If you have any questions, please do not hesitate to call. Julie Domenick Doerr Vice President-Legislative Affairs Attachments