

MEMO# 6533

January 9, 1995

NASD AGREEMENT WITH BANK AGENCIES ON COORDINATION OF EXAMINATIONS

January 9, 1995 TO: BANK INVESTMENT MANAGEMENT MEMBERS No. 2-95 BOARD OF GOVERNORS No. 4-95 RE: NASD AGREEMENT WITH BANK AGENCIES ON COORDINATION OF EXAMINATIONS

The National Association of Securities Dealers, Inc. recently entered into an agreement with the four federal banking agencies concerning the coordination of certain examinations. A copy of the agreement is attached. Under the agreement, the NASD and banking agencies "agree in principle to cooperate . . . in order to facilitate the coordination, and enhance the effectiveness, of examination efforts . . ." The agreement thus requires the NASD and the banking agencies to share their examination schedule with respect to banks and their brokerage affiliates, and, if appropriate, to request coordination of examinations of those affiliates. The banking agencies could obtain the NASD's examination reports pertaining to a brokerage affiliate from the bank, the brokerage affiliate, or the NASD. If a banking agency believes that securities law violations may have occurred at a broker-dealer selling nondeposit products on bank premises, the banking agency must promptly notify the NASD. If the NASD believes that a violation may have occurred at a brokerage affiliate, it must promptly notify the appropriate banking agency. If the NASD has determined to initiate a formal disciplinary action against a brokerage affiliate or an unaffiliated broker-dealer that sells securities on bank premises, the NASD must promptly communicate this fact to the appropriate banking agency. A banking agency may request from the NASD the most recent examination results concerning an unaffiliated broker-dealer selling securities on bank premises, and the NASD must furnish the information in certain circumstances. According to the agreement, the banking agency must use the information "in connection with its oversight of the depository institution and not for the purpose of examining the unaffiliated broker dealer." The banking agencies and the NASD also "will communicate with each other to the fullest extent possible on matters of common interest." We will keep you informed of further developments in this regard. Paul Schott Stevens General Counsel Attachment