

**MEMO# 1986**

June 22, 1990

# **FED PROPOSES ALLOWING BANK HOLDING COMPANY SUBSIDIARIES TO BROKER SHARES OF AFFILIATED FUNDS; COMPTROLLER EXTENDS COMMENT PERIOD ON COMMON TRUST FUND PROPOSAL**

June 22, 1990 TO: BOARD OF GOVERNORS NO. 44-90 SEC RULES COMMITTEE NO. 35-90 RE: FED PROPOSES ALLOWING BANK HOLDING COMPANY SUBSIDIARIES TO BROKER SHARES OF AFFILIATED FUNDS; COMPTROLLER EXTENDS COMMENT PERIOD ON COMMON TRUST FUND PROPOSAL \_\_\_\_\_ The Board of

Governors of the Federal Reserve System has proposed revising its interpretive rule under Regulation Y in order to permit a bank holding company, or any nonbank subsidiary, to act as a full-service broker with respect to shares of investment companies advised by the holding company or any of its subsidiaries. The Board has issued orders allowing holding companies to discount broker such securities, but has not permitted holding companies to recommend them to customers. The proposed revised interpretive rule would require any holding company that provides investment advice to customers regarding the purchase and sale of shares of affiliated investment companies to disclose that an affiliate serves as investment adviser to the fund. In addition, officers and employees would be instructed to caution investors to read the prospectus before investing and investors would have to be advised, in writing, that shares of the fund are not obligations of the bank or guaranteed by the FDIC. Comments on the proposal (a copy of which is attached) are due August 9. In another Glass-Steagall development, the Comptroller of the Currency has extended the comment period on its proposal to remove various restrictions on bank common trust funds. Comments are now due July 8, 1990. Craig S. Tyle Associate General Counsel  
Attachment