

MEMO# 996

February 17, 1989

RECENT ACTIONS OF FEDERAL BANK REGULATORS

February 17, 1989 TO: BOARD OF GOVERNORS NO. 13-89 CLOSED-END FUND MEMBERS
NO. 12-89 SEC RULES MEMBERS NO. 14-89 UNIT INVESTMENT TRUST MEMBERS NO. 16-89
RE: RECENT ACTIONS OF FEDERAL BANK REGULATORS

_____ The Comptroller of the Currency has issued a circular concerning the acceptance of financial benefits by bank trust departments. The circular (a copy of which is attached) was issued in response to the acceptance by trust departments of national banks of financial incentives (including discounts on other products, computer goods and services and travel expenses) from investment management firms in exchange for the investment of fiduciary assets in funds offered by those firms. The purpose of the circular is to remind national banks that such practices are prohibited by law. In a separate banking regulatory matter of interest to investment companies, the Federal Reserve Board has announced an interpretation under Regulation H that permits state member banks to purchase shares of investment companies that invest solely in instruments that such banks may purchase directly. This interpretation grants state member banks authority parallel to that of national banks. A copy of the interpretation of the Board is attached. Craig S. Tyle Assistant General Counsel
Attachment

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