

**MEMO# 933**

January 19, 1989

# **FED APPLICATIONS TO UNDERWRITE AND DEAL IN DEBT AND EQUITY SECURITIES**

January 19, 1989 TO: BOARD OF GOVERNORS NO. 5-89 CLOSED-END FUND COMMITTEE NO. 1-89 SEC RULES COMMITTEE NO. 5-89 UNIT INVESTMENT TRUST COMMITTEE NO. 2-89 RE: FED APPLICATIONS TO UNDERWRITE AND DEAL IN DEBT AND EQUITY SECURITIES

\_\_\_\_\_ As we previously informed you, five bank holding companies filed applications last fall to engage in underwriting and dealing in certain debt and/or equity securities. (See Memorandum to Board of Governors No. 74-88, SEC Rules Committee No. 70-88, Closed-End Fund Committee No. 29-88 and Unit Investment Trust Committee No. 33-88, dated November 17, 1988.) On January 18, the Federal Reserve Board announced that it had conditionally approved the applications. The authorization to underwrite and deal in debt securities is effective immediately upon satisfaction of the conditions in the approval; however, authorization to underwrite and deal in equity securities will be delayed until the Board determines that the applicants have established proper managerial and operational infrastructure. The Board will make this finding based on a review in one year. The approval does not extend to shares of mutual funds. The approval does, however, permit the applicants to underwrite and deal in shares of unaffiliated closed-end funds and unit investment trusts. Under Regulation Y, a bank holding company would remain prohibited from purchasing for its own account, or engaging in the sale or distribution of, securities of any investment company that it sponsors or advises. The approval is conditioned upon various structural and operating limitations, including a prohibition of distribution of prospectuses and sales literature by an affiliated bank or thrift. We will keep you informed of developments. Craig S. Tyle Assistant General Counsel