

MEMO# 7948

June 10, 1996

PROPOSED AMENDMENTS TO FDIC RECORDKEEPING AND CONFIRMATION RULES

1 See Memorandum to Bank Investment Management Members No. 1-96 (January 16, 1996). 2 61 Federal Register 26135 (May 24, 1996). June 10, 1996 TO: BANK AND TRUST ADVISORY COMMITTEE No. 19-96 RE: PROPOSED AMENDMENTS TO FDIC RECORDKEEPING AND CONFIRMATION RULES

The Office of the Comptroller of the Currency and the Federal Reserve Board have proposed amendments to their recordkeeping and confirmation regulations relating to transactions in securities, including mutual funds.¹ The Federal Deposit Insurance Corporation recently issued the attached advance notice of proposed rulemaking with respect to its recordkeeping and confirmation rules.² The comment period on the FDIC's release expires on June 24, 1996. Please provide any comments you may have on the release to Tom Selman (at 202/326-5819) by Monday, June 17, 1996. The FDIC's release states that the agency is reviewing its recordkeeping and confirmation rules "with the goal of modernizing its requirements to, among other things, reflect the supervisory role played by other Federal agencies charged with supervision of securities transactions." The FDIC's release further states that these rules presently overlap existing securities regulations, creating a competitive imbalance for banks, customer confusion, regulatory uncertainty, and additional costs to banks. The FDIC's request for comments includes the following: C If particular securities transactions are covered by another regulatory system, what coverage should an FDIC regulation provide, if any? C Should dedicated phone lines to mutual fund complexes, Internet sites, and other systems be considered in deciding on the scope of the rules? C What types of securities transactions should be exempted from the rules? C How should the term "effecting a securities transaction" be defined in the FDIC's rules? Should it exclude transactions conducted by third parties? If so, how should such an exclusion be defined? C Is it commonplace for banks to direct customers with retail securities transactions to trust departments, even though the customers have no formal trust agreement with the bank? To what extent should the rules apply to these transactions? C Is it necessary to require disclosure of the source of remuneration to broker-dealers and banks for securities transactions and, if so, when should that disclosure be made? If it is necessary, should this disclosure include the bank's portion of loads and commissions and the fees that may be charged in excess of normal commissions and loads? C If FDIC disclosure is required, how should it interrelate with similar disclosure required under the securities laws? C Is the current exemption from the rules (for banks with an average of fewer than 200 transactions per year) appropriate? Should the limit be raised? C Should the FDIC adopt a regulation requiring banks to maintain effective systems of records and

controls regarding transactions that reflect accurate information and to serve as an adequate basis for an audit, as proposed by the OCC and the Federal Reserve? C Should the FDIC adopt the T+3 settlement cycle? C How do the rules affect small banks that use the services of other banks to buy and sell securities for their own accounts? C Should sweep accounts be included in the definition of "periodic plans" under the current rules, so that confirmation statements for these accounts would be required to be delivered only quarterly? C Is the current exemption for personal securities transaction reporting by bank officers and employees (for transactions not exceeding \$10,000 per calendar quarter) appropriate? Should all bank directors be required to make these reports? Diane M. Butler
Director - Operations & Fund Custody Attachment

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