

MEMO# 5259

October 25, 1993

CHAIRMAN GONZALEZ AND CONGRESSMAN SCHUMER INTRODUCE LEGISLATION ON BANK SALES OF MUTUAL FUNDS

1 See Memorandum to Board of Governors No. 96-93, Bank Investment Management Members No. 25-93, and Task Force on Bank Sales Activities, dated October 25, 1993 [FDIC]; Memorandum to Board of Governors No. 79-93, Bank Investment Management Members No. 22-93, and Task Force on Bank Sales Activities, dated September 15, 1993 [OTS]; Memorandum to Board of Governors No. 62-93, Bank Investment Management Members No. 15-93, Task Force on Bank Sales Activities, dated July 19, 1993 [OCC]; Memorandum to Bank Investment Management Members No. 13-93 and Board of Governors No. 57-93, dated June 25, 1993 [Federal Reserve]. 1 October 25, 1993 TO: BANK INVESTMENT MANAGEMENT MEMBERS NO. 26-93 BOARD OF GOVERNORS NO. 97-93 TASK FORCE ON BANK SALES ACTIVITIES RE: CHAIRMAN GONZALEZ AND CONGRESSMAN SCHUMER INTRODUCE LEGISLATION ON BANK SALES OF MUTUAL FUNDS

Congressman Henry B. Gonzalez,
Chairman of the House Committee on Banking, Housing and Urban Affairs, and
Congressman Charles Schumer recently introduced H.R. 3306, the "Depository Institution Retail Investment Sales and Disclosure Act." H.R. 3306 would regulate the bank sale of mutual funds and other investment products and is based on the regulatory statements of the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the Office of the Comptroller of the Currency and the Federal Reserve Board.¹ A copy of H.R. 3306 is attached. The bill generally would: - require written disclosure to potential investment customers and in advertisements, confirmations, and periodic statements of the uninsured nature of the product, the investment risk associated with it, and the relationship between the bank and any mutual fund or any person involved in underwriting, selling or distributing the fund; - require physical separation of investment sales and deposit-taking activities; - prohibit tellers and others who accept deposits from selling investment products or giving investment advice and allow them to make referrals only upon customer request and without referral compensation; - require salespersons to be either registered with the Securities and Exchange Commission or similarly trained and qualified under federal banking agency regulations; - prohibit banks and bank affiliates from sharing a similar name or logo with an affiliated mutual fund or any investment product sold by the bank or an affiliate. The bill would provide a six-month transition period and incorporates a grandfather provision that would be available upon a specified determination of the appropriate banking agency; and - prohibit disclosure to any affiliate or other person of confidential financial information about a bank customer without the customer's prior

written consent. Paul Schott Stevens General Counsel Attachment

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