

MEMO# 5982

June 21, 1994

NASD NOTICE TO MEMBERS CONCERNING BANK BROKER-DEALER ACTIVITIES

June 21, 1994 TO: BANK INVESTMENT MANAGEMENT MEMBERS NO. 24-94 BOARD OF GOVERNORS NO. 54-94 RE: NASD NOTICE TO MEMBERS CONCERNING BANK BROKER-DEALER ACTIVITIES _____ The National Association of Securities Dealers, Inc., recently published a Notice to Members concerning a no-action letter that the Securities and Exchange Commission staff issued to the Chubb Securities Corporation. The Chubb letter involves broker-dealer sales activities on bank premises. A copy of the Notice (with the enclosed Chubb letter) is attached. The staff gave no-action assurances to Chubb under Section 15(a)(1) of the Securities Exchange Act with respect to a broker-dealer networking arrangement operated on the premises of a financial institution. The broker-dealer must enter into a written agreement with the financial institution, stipulating that the broker-dealer will be responsible for all securities business conducted at the financial institution, that all securities transactions will be effected only by persons registered with the broker-dealer, and that the broker-dealer will take certain steps with regard to its physical location, customer disclosure procedures, and promotional literature to distinguish the brokerage services from the banking functions of the financial institution. The financial institution must agree to allow supervisory personnel of the broker-dealer and representatives of the SEC, the NASD, and any other applicable federal and state government authorities, to inspect the financial institution's premises and books and records maintained with respect to brokerage activities. The financial institution also must monitor its unregistered employees to ensure that they perform only clerical and ministerial functions related to securities transactions. The Notice points out that "bank regulators have taken the position that they have responsibility and authority to oversee and monitor the conduct of broker-dealers" and that "the NASD and the SEC continue to work closely with the bank regulators in an effort to develop an effective means to eliminate unnecessary duplication and regulatory overlap." Paul Schott Stevens General Counsel Attachment