MEMO# 7922

June 4, 1996

FDIC SURVEY ON NONDEPOSIT INVESTMENT SALES

June 4, 1996 TO: BANK AND TRUST ADVISORY COMMITTEE No. 15-96 DIRECT MARKETING COMMITTEE No. 14-96 SALES FORCE MARKETING COMMITTEE No. 16-96 RE: FDIC SURVEY ON NONDEPOSIT INVESTMENT SALES

____ The Federal Deposit Insurance Corporation recently issued the attached study concerning bank compliance with the bank regulatory agencies Interagency Statement. The FDIC retained an independent consultant that contacted 1,194 banks and asked for recommendations on instruments that paid higher rates than certificates of deposit. According to the FDICs survey, banks were more likely to make required disclosures in face-to-face meetings than over the telephone. For example, the absence of FDIC disclosure was explained in 72% of face-to-face contacts but only 45% of telephone contacts. Disclosures were made more frequently by investment representatives who were members of the National Association of Securities Dealers, Inc. or employed by a third party of affiliated broker-dealer, than investment representatives associated with a bank. According to the FDIC study, this finding indicates that the training of representatives leads to more frequent compliance with the Interagency Statement. Diane M. Butler Director - Operations and Fund Custody Attachment