

MEMO# 5338

November 17, 1993

H.R. 3447, THE

November 17, 1993 TO: BANK INVESTMENT MANAGEMENT MEMBERS NO. 32-93 BOARD OF GOVERNORS NO. 105-93 INSTITUTIONAL FUNDS COMMITTEE NO. 16-93 TASK FORCE ON BANK SALES ACTIVITIES RE: H.R. 3447, THE

House Energy and Commerce Committee Chairman John Dingell recently introduced H.R. 3447, the "Securities Regulatory Equality Act of 1993," which is intended "to equalize the regulatory treatment of participants in the securities industry" The bill was co-sponsored by House Telecommunications and Finance Subcommittee Chairman Edward Markey, Congressman Carlos Moorhead (ranking minority member of the full Committee), and Congressman Jack Fields (ranking minority member of the Subcommittee). A copy of the bill is attached. The bill generally would: - repeal the exclusion of banks from the definition of "broker" and "dealer" in the Securities Exchange Act, the Investment Company Act, and the Investment Advisers Act, and require banks to conduct brokerage and dealer activities in an SEC-registered nonbank subsidiary or affiliate; - amend the Investment Company Act to clarify and strengthen the SEC's authority to adopt regulations governing the conditions under which banks may serve as custodians of affiliated management investment companies or unit investment trusts; - amend the Investment Company Act to authorize the SEC to designate any person or class of persons as "affiliated persons" of an investment company by reason of a material business or professional relationship with the investment company, its principal underwriter, or any affiliated person of the investment company; - amend the Investment Company Act to prohibit an investment company from knowingly acquiring securities during an underwriting when the proceeds will be used to retire indebtedness of an affiliated bank; - amend the Investment Company Act to restrict the ability of an investment company's adviser (or its affiliated persons) to own a controlling interest in the investment company when the adviser also holds shares of that investment company as a fiduciary; - amend the Investment Company Act to prohibit an investment company from borrowing from an affiliated bank except as permitted by the SEC; - amend the Investment Company Act to strengthen its requirements for independent directors serving on the boards of investment companies; - amend the Investment Company Act to prohibit, under certain circumstances, the use by an investment company of a name that is the same as or similar to the name of any affiliated bank; - amend the Securities Act, the Securities Exchange Act, and the Investment Company Act to clarify that a bank's common trust fund is entitled to the exemptions from the registration and reporting provision only when (1) the fund is used as an aid to the administration of bona fide fiduciary accounts and (2) the fund is not publicly offered; and - amend the Investment Advisers Act to delete the exclusion from the definition of "investment adviser" for a bank that serves as investment adviser to a registered investment company. We will keep you informed of future developments concerning this and related legislation. Matthew P. Fink President Attachment

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