

MEMO# 1275

July 24, 1989

INSTITUTE COMMENT LETTER ON FED PROPOSAL TO PERMIT BANK HOLDING COMPANIES TO UNDERWRITE AFFILIATE SECURITIES

July 24, 1989 TO: BOARD OF GOVERNORS NO. 42-89 CLOSED-END FUND COMMITTEE NO. 28-89 SEC RULES COMMITTEE NO. 42-89 UNIT INVESTMENT TRUST COMMITTEE NO. 37-89
RE: INSTITUTE COMMENT LETTER ON FED PROPOSAL TO PERMIT BANK HOLDING COMPANIES TO UNDERWRITE AFFILIATE SECURITIES

As we previously informed you, the Federal Reserve Board is considering whether to modify its previous Section 20 orders in order to permit bank holding company affiliates to underwrite or deal in certain securities issued by affiliates or representing interests in, or secured by, affiliates. (See Memorandum to Board of Governors No. 38-89, Closed-End Fund Committee No. 22-89, SEC Rules Committee No. 32-89 and Unit Investment Trust Committee No. 29-89, dated June 29, 1989.) The proposed modification would allow underwriting or dealing in any such securities that are (1) rated by an independent rating agency or (2) issued or guaranteed by FHLMC, FNMA or GNMA, or represent interests in such obligations. Attached is a copy of the Institute's comment letter, which opposes any change that would remove or weaken the restriction on affiliate securities transactions. In its letter, the Institute notes that such transactions present many of the most fundamental policy concerns underlying the Glass-Steagall Act, and that there is no policy justification for changing the Board's previous position. We will keep you advised of further developments in this area. Craig S. Tyle
Assistant General Counsel