

**MEMO# 1841**

April 11, 1990

## **D.C. CIRCUIT REJECTS SIA CHALLENGE TO RECENT SECTION 20 ORDERS**

April 11, 1990 TO: BOARD OF GOVERNORS NO. 26-90 RE: D.C. CIRCUIT REJECTS SIA  
CHALLENGE TO RECENT SECTION 20 ORDERS

The U.S. Court of Appeals for the District of Columbia Circuit has denied a petition for review of the Securities Industry Association, which challenged an order of the Federal Reserve Board permitting five bank holding company affiliates to underwrite and deal in corporate debt and equity securities, subject to certain limitations. A copy of the court's decision is attached. The court held that the SIA's claims that the order violated the Glass-Steagall Act were precluded by the doctrine of collateral estoppel, under which a prior judicial determination of an issue is binding. The court found that the issues raised by the SIA with respect to corporate debt and equity securities were identical to those previously decided in connection with other types of securities. In 1988, the Court of Appeals for the Second Circuit ruled that the Glass-Steagall Act did not prohibit the limited underwriting and dealing by a bank holding company affiliate of commercial paper, municipal revenue bonds, mortgage related securities and consumer receivables related securities. The court also rejected the SIA's claim that the order violated the Bank Holding Company Act, which had not been previously litigated. The court stated that it was obliged to give "enormous deference" to the Board's determinations that the proposed activities were "closely related to banking" and would produce net benefits to the public. Craig S. Tyle Associate General Counsel Attachment