

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 78-35

March 31, 1978

AMENDMENT TO REGULATION Y

Municipal Securities Dealer Activities

TO ALL MEMBER BANKS,
BANK HOLDING COMPANIES,
AND OTHERS CONCERNED IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

The Board of Governors has amended its Regulation Y effective April 5, 1978, to require bank holding companies authorized by the Board to conduct municipal securities dealer activities to file certain information with the Board.

On March 30, 1977, the Board issued for comment proposed amendments to its Regulation H (State Member Banks) and Regulation Y (Bank Holding Companies) to require those that are municipal securities dealers for which the Board is the appropriate regulatory agency under section 3(a) (34) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a) (34)) to file with the Board information about persons who are associated with them as municipal securities principals or municipal securities representatives. In conjunction with that proposal, the Board also proposed Form MSD-4, "Uniform Application for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer," and Form MSD-5, "Uniform Termination Notice for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer," for use in complying with the proposed amendments to Regulations H and Y.

After considering the comments submitted on the proposed amendments and proposed forms, the Board, on September 1, 1977, adopted the proposed amendment to Regulation H and the attendant forms but decided to defer adoption of the proposed amendment to Regulation Y in view of its action of October 19, 1976, deferring action on applications filed under section 4(c) (8) of the Bank Holding Company Act for authority to underwrite and deal in Federal government and municipal securities.

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-492-4403 (intrastate) and 1-800-527-4970 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

On January 26, 1978, the Board announced that it would resume processing of applications from bank holding companies to engage in Federal government and municipal security dealer activities on a case-by-case basis. Therefore, this amendment to Regulation Y will extend to bank holding companies and certain of their subsidiaries the filing requirements that are now imposed on State member banks with respect to municipal securities dealer activities.

Member banks, bank holding companies, and others that maintain Regulations Binders should file the enclosed amendment in their binders. Any questions concerning the amendment should be directed to our Holding Company Supervision Department, Ext. 6182.

Additional copies of the amendment will be furnished upon request to the Secretary's Office of this Bank, Ext. 6267.

Sincerely yours,

Robert H. Boykin

First Vice President

Enclosure

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTEREST ON DEPOSITS

AMENDMENT TO REGULATION Y

Effective April 5, 1978, Section 225.5 is amended by adding new paragraph (f) as follows:

SECTION 225.5—ADMINISTRATION

(f) Bank holding companies, certain of their subsidiaries, and subsidiaries, departments, or divisions of such subsidiaries, which are municipal securities dealers.

(1) For purposes of this paragraph, the terms herein have the meanings given them in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. §78c(a)) and the rules of the Municipal Securities Rulemaking Board. The term *Act* shall mean the Securities Exchange Act of 1934 (15 U.S.C. §78a *et seq.*).

(2) A bank holding company, or a subsidiary of a bank holding company which is a bank (other than a national bank or a bank operating under the Code of Law for the District of Columbia or a bank insured by the Federal Deposit Insurance Corporation), or a subsidiary or a department or a division of such a subsidiary, which is a municipal securities dealer shall not permit a person to be associated with it as a municipal securities principal or municipal securities representative unless it has filed with the Board an original and two copies of Form MSD-4, "Uniform Application for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer," completed in accordance with the instructions contained therein, for that person. Form MSD-4 is prescribed by the Board for purposes of paragraph (b) of Municipal Securities Rulemaking Board Rule G-7, "Information Concerning Associated Persons."

(3) Whenever a municipal securities dealer receives a statement pursuant to paragraph (c) of Municipal Securities Rulemaking Board Rule G-7, "Information Concerning Associated Persons," from a person for whom it has filed a Form MSD-4 with the Board pursuant to subparagraph (2) of this paragraph, such dealer shall, within ten days thereafter, file three copies of that statement with the Board accompanied by an original and two copies of a transmittal letter which in-

cludes the name of the dealer and a reference to the material transmitted identifying the person involved and is signed by a municipal securities principal associated with the dealer.

(4) Within 30 days after the termination of the association of a municipal securities principal or municipal securities representative with a municipal securities dealer which has filed a Form MSD-4 with the Board for that person pursuant to subparagraph (2) of this paragraph, such dealer shall file an original and two copies of a notification of termination with the Board on Form MSD-5, "Uniform Termination Notice for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer," completed in accordance with the instructions contained therein.

(5) A municipal securities dealer which files a Form MSD-4, Form MSD-5, or statement with the Board under this paragraph shall retain a copy of each such Form MSD-4, Form MSD-5, or statement until at least three years after the termination of the employment or other association with such dealer of the municipal securities principal or municipal securities representative to whom the form or statement relates.

(6) The date that the Board receives a Form MSD-4, Form MSD-5, or statement filed with the Board under this paragraph shall be the date of filing. Such a Form MSD-4, Form MSD-5, or statement which is not prepared and executed in accordance with the applicable requirements may be returned as unacceptable for filing. Acceptance for filing shall not constitute any finding that a Form MSD-4, Form MSD-5, or statement has been completed in accordance with the applicable requirements or that any information reported therein is true, current, complete, or not misleading. Every Form MSD-4, Form MSD-5, or statement filed with the Board under this paragraph shall constitute a filing with the Securities and Exchange Commission for purposes of section 17(c)(1) of the Act (15 U.S.C. section 78q(c)(1)) and a "report," "application," or "document" within the meaning of section 32(a) of the Act (15 U.S.C. 78ff(a)).

†For this Regulation to be complete as amended effective April 5, 1978, retain:

- 1) Printed Regulation Y pamphlet as amended effective June 24, 1974;
- 2) Technical correction in Regulation Y pamphlet covering Sections 225.3 and 225.4;
- 3) Amendment effective December 1, 1975, Section 225.5(c);
- 4) Amendment effective May 15, 1976, adding a new Section 225.6;
- 5) Amendment effective October 13, 1976, adding footnote 4 at the end of paragraph 225.4(a)(6)(iii);
- 6) Amendment effective October 3, 1977, Section 225.5(d) and (e);
- 7) Amendment effective December 31, 1977, adding paragraph (4) to Section 225.5(c); and
- 8) This slip sheet.