

**FEDERAL RESERVE BANK OF DALLAS**

**DALLAS, TEXAS 75222**

Circular No. 82-134  
October 20, 1982

**INFORMAL HEARING**

**SWEEP ACCOUNTS**

**TO ALL MEMBER BANKS AND OTHERS CONCERNED  
IN THE ELEVENTH FEDERAL RESERVE DISTRICT:**

The Board of Governors of the Federal Reserve System has announced that it is scheduling an informal hearing in order to give interested parties an opportunity to express their views in connection with a petition to the Board by the Securities Industry Association to prohibit the operation of sweep accounts by member banks.

The informal hearing is scheduled at the Federal Reserve Board, Washington, D.C., on November 3 and 4, 1982, commencing at 9:30 a.m. Interested parties may also submit written comments to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C., 20551, not later than November 4, 1982. Written comments should refer to Docket number R-0422.

Attached are copies of the press release and the material as submitted for publication in the Federal Register. Questions regarding the material contained in this circular should be directed to this Bank's Legal Department, Extension 6171.

Additional copies of this circular will be furnished upon request to the Department of Communications, Financial and Community Affairs, Extension 6289.

Sincerely yours,



William H. Wallace  
First Vice President

# FEDERAL RESERVE press release



For immediate release

October 5, 1982

The Federal Reserve Board today announced that it is scheduling an informal hearing before the Board's staff to gather information and give interested parties an opportunity to express their views in connection with a petition to the Board by the Securities Industry Association to prohibit the operation of sweep accounts by member banks.

Comment may also be submitted in writing.

The hearing is scheduled for November 3 and 4, 1982, at the Board's offices in Washington, D.C.

The Board's announcement is attached.

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Attachment

FEDERAL RESERVE SYSTEM

Petition Regarding Sweep Arrangements  
Notice of Informal Hearing  
Docket No. R-0422

The Securities Industry Association has petitioned the Board to prohibit the operation of sweep accounts by member banks. Such sweep accounts typically involve an agreement between a depository institution and one or more investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940. Generally under these arrangements, funds deposited with the depository institution in a demand deposit or NOW account in excess of a pre-determined balance would be swept into the investment company by the purchase of shares or securities of the investment company. The balances maintained by the customer with the investment company may then be subject to an agreement that provides for the automatic or preauthorized transfer back to the customer's checking account of the depository institution or to some other account of the depository institution.

The Securities Industry Association has asserted that such sweep arrangements involve underwriting the public distribution of securities by the participating depository institution in violation of the Glass-Steagall Act. A copy of the Securities Industry Association's petition may be obtained from the Board's Freedom of Information Office (202/452-3684).

To solicit further factual information concerning the operation of sweep arrangements and to give interested parties an opportunity to express their views, the Board has scheduled an informal public hearing before the Board's staff to be held at the Federal Reserve Board, Washington, D.C., on November 3 and 4, 1982, commencing at 9:30 a.m. In addressing this issue, interested parties may comment on sweep arrangements in connection with the Glass-Steagall Act and the issues raised by the Securities Industry Association in its petition.

The presiding officer at the hearing shall be authorized to administer oaths and to establish time limits for persons wishing to be heard. A person wishing to present evidence at this informal hearing should file with the Secretary of the Board a request to appear at the hearing. All requests should refer to Docket number R-0422. The request to present evidence should be received at the Secretary's office in Washington, D.C., 20551, no later than October 25, 1982, and should specify the names of the persons who desire to present evidence, the interest of those persons in the proceeding, and the matters concerning which those persons desire to present evidence.

Interested parties who do not wish to participate in the informal hearing may submit written comments to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C., 20551, not later than November 4, 1982. All such submissions should refer to Docket number R-0422. For further information regarding this matter, contact Robert G. Hallen, Attorney, Board of Governors of the Federal Reserve System, Washington, D.C., 20551 (202/452-3265).

Board of Governors of the Federal Reserve System, October 1,  
1982.

(signed) William W. Wiles

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William W. Wiles  
Secretary of the Board

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