



FEDERAL RESERVE BANK
OF DALLAS

ROBERT D. McTEER, JR.
PRESIDENT
AND CHIEF EXECUTIVE OFFICER

March 9, 1993

DALLAS, TEXAS 75222

Notice 93-30

TO: The Chief Executive Officer of each
member bank and others concerned in
the Eleventh Federal Reserve District

SUBJECT

Eligible Securities Activities of
Section 20 Subsidiaries of Bank Holding Companies

DETAILS

The Federal Reserve Board has announced the approval of a supplement to its order approving modifications to section 20 orders to allow use of an alternative indexed revenue test to measure compliance with the 10 percent limit on bank-ineligible securities activities.

ATTACHMENT

A copy of the Board's order relating to this action is attached.

MORE INFORMATION

For more information, please contact Richard Burda at (214) 922-6154. For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 922-5254.

Sincerely yours,

Robert D. McTeer, Jr.


Supplement to Order Approving Modifications
to Section 20 Orders to Allow Use of Alternative Indexed
Revenue Test to Measure Compliance with the 10 Percent
Limit on Bank-Ineligible Securities Activities

On January 26, 1993, the Board adopted an alternative indexed revenue test pursuant to which a section 20 subsidiary could choose to adjust its revenue by a series of factors supplied by the Board that vary according to the average duration of the securities portfolio of the section 20 subsidiary. The Board has received a request for an interpretation of that part of the January 26 Order regarding the operation of the indexed revenue test. The request asks whether a section 20 subsidiary may, consistent with the January 26 Order, immediately begin measuring compliance with the indexed test on an eight-quarter rolling average basis using revenue figures from the seven quarters prior to 1993 adjusted according to the average duration of its securities portfolio during these quarters.

The Board implemented the indexed revenue test on a prospective basis to allow a section 20 subsidiary that may not have data regarding the average duration of its securities portfolio prior to 1993 to adopt the indexed method nevertheless. If a section 20 subsidiary has the duration data available to begin measuring compliance with the test on an eight-quarter rolling average basis immediately, it may do so after notifying the relevant Federal Reserve Bank.^{1/}

^{1/} Tables of adjustment factors for each of the seven quarters prior to the first quarter of 1993 will be published in the near future.

By order of the Board of Governors,^{2/} effective
February 23, 1993.


Jennifer O. Johnson
Associate Secretary of the Board

^{2/} Voting for this action: Chairman Greenspan and
Governors Mullins, Angell, LaWare, Lindsey, and Phillips. Absent
and not voting: Governor Kelley.