

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8298]
March 21, 1978

AMENDMENT TO REGULATION Y

Filing Requirements for Bank Holding Companies that Conduct
Municipal Securities Dealer Activities

*To All Bank Holding Companies, and Others Concerned,
in the Second Federal Reserve District:*

The Board of Governors of the Federal Reserve System has amended its Regulation Y to require bank holding companies that have been authorized by the Board to conduct municipal securities dealer activities to file with the Board information about persons who are associated with them as municipal securities principals or municipal securities representatives. 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 filing requirements, may be obtained from this Bank, upon request directed to our Regulations Division (Tel. No. 212-791-5914). The requirements become effective April 5, 1978.

Enclosed is a copy of the amendment. Any questions regarding this matter may be directed to the Regulations Division.

PAUL A. VOLCKER,
President.

BANK HOLDING COMPANIES

AMENDMENT TO REGULATION Y

(effective April 5, 1978)

Title 12—Banks and Banking

CHAPTER II—FEDERAL RESERVE SYSTEM

SUBCHAPTER A—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Docket No. R-0090; Reg. Y]

PART 225—BANK HOLDING COMPANIES

Municipal Securities Dealers

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: This rule requires bank holding companies which have been authorized by the Board to conduct municipal securities dealer activities and for which the Board is designated in the Securities Exchange Act of 1934 as the appropriate regulatory agency to file with the Board information about persons who are associated with them as municipal securities principals or municipal securities representatives. These requirements will facilitate compliance by those dealers with Municipal Securities Rulemaking Board rules concerning the qualification of municipal securities principals and municipal securities representatives.

EFFECTIVE DATE: April 5, 1978.

FOR FURTHER INFORMATION CONTACT:

Robert S. Plotkin, Assistant Director, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, 202-452-2782.

SUPPLEMENTARY INFORMATION: On March 30, 1977, the Board issued for comment in the FEDERAL REGISTER (42 FR 16821) proposed amendments to its Regulation H (12 CFR Part 208) and Regulation Y (12 CFR Part 225) to require State member banks and bank holding companies and certain of their subsidiaries, departments, and divisions, that are municipal securities dealers for which the Board is the appropriate regulatory agency under section 3(a)(34) of the Securities Ex-

change 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.

Concurrent with the Board's proposal of amendments to Regulations H and Y, the Federal Deposit Insurance Corporation and the Comptroller of the Currency proposed similar regulations requiring the filing of proposed Forms MSD-4 and MSD-5. Proposed Form MSD-4 and proposed Form MSD-5 were drafted jointly by the Board, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency for use by municipal securities dealers subject to their regulation. After considering the comments submitted on the proposed amendments to Regulations H and Y and proposed Forms MSD-4 and MSD-5, the Board, on September 1, 1977, adopted Regulation H and form substantially as proposed. At that time, the Board 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.

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.

Pursuant to sections 15B(c) (5), 17, and 23 of the Securities Exchange Act of 1934 (15 U.S.C. 780-4(c)(5), 78q, and 78w), the Board amends its Regulation Y (12 CFR 225) by adding a new paragraph (f) to § 225.5 as set forth below:

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 ac-

For this Regulation to be complete, retain:

- 1) Regulation Y pamphlet, as amended effective June 24, 1974.
- 2) Corrective amendments effective June 24, 1974.
- 3) Amendments effective December 1, 1975; May 15, 1976; October 13, 1976; October 3, 1977; and December 31, 1977.
- 4) This slip sheet.

companied by an original and two copies of a transmittal letter which includes 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 thirty 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)).

By order of the Board of Governors,
March 6, 1978.

*THEODORE E. ALLISON,
Secretary of the Board.*

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