

**FEDERAL RESERVE BANK
OF NEW YORK**

Circular No. 9377
October 8, 1982

Hearing Regarding Sweep Accounts by Member Banks

*To All Member Banks, and Others Concerned,
in the Second Federal Reserve District:*

The Board of Governors of the Federal Reserve System has announced that it is scheduling an informal hearing on November 3 and 4, 1982, 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. The hearing is scheduled to be held at the Board's offices in Washington, D.C. The Board indicated that comments may also be submitted in writing.

Printed below is text of the Board's Notice announcing the hearing. Written comments regarding the matter should be submitted by November 4, and may be sent to our Consumer Affairs and Bank Regulations Department.

ANTHONY M. SOLOMON,
President.

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.

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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. Ballen, 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

William W. Wiles
Secretary of the Board

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