

**FEDERAL RESERVE BANK  
OF NEW YORK**

March 9, 1993

**SECURITIES UNDERWRITING ACTIVITIES OF BANK  
HOLDING COMPANY SUBSIDIARIES**

**Modification of Board Order**

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

The Board of Governors of the Federal Reserve System issued a supplement to its previous Order approving modifications to section 20 Orders to allow the use of an alternative indexed revenue test to measure compliance with the 10 percent limit on bank-ineligible securities activities. The earlier Order was sent to you with our Circular No. 10623, dated February 10, 1993.

Printed on the reverse side is the text of the supplement; questions thereon may be directed to our Banking Applications Department (Tel. No. 212-720-1465).

E. GERALD CORRIGAN,  
*President.*

(Over)

**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.<sup>1</sup>

By order of the Board of Governors,<sup>2</sup> effective February 23, 1993.

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Jennifer J. Johnson  
Associate Secretary of the Board

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<sup>1</sup> Tables of adjustment factors for each of the seven quarters prior to the first quarter of 1993 will be published in the near future.

<sup>2</sup> Voting for this action: Chairman Greenspan and Governors Mullins, Angell, LaWare, Lindsey, and Phillips. Absent and not voting: Governor Kelley.