

FEDERAL RESERVE BANK  
OF NEW YORK

[Circular No. 5969]  
April 14, 1967

NOTICE OF PROPOSED RULE MAKING

Regulation R—Relationships With Dealers in Securities Under Section 32  
of the Banking Act of 1933

To All Member Banks in the Second Federal Reserve District:

The following statement was made public April 6 by the Board of Governors of the Federal Reserve System:

The Board of Governors today announced a proposed amendment to its Regulation R, relating to interlocking personnel relationships between member banks and dealers in securities. The regulation exempts from the general prohibition of section 32 of the Banking Act of 1933 relationships between member banks and securities dealers that confine their investment banking activities to specified categories of obligations. The proposed amendment would include general obligations of any State or any political subdivision thereof among those already exempt from the prohibition. The effect of the amendment would be to permit interlocking relationships between member banks and securities dealers that confine themselves to underwriting and dealing in securities which member banks may lawfully underwrite.

Comments on the proposed amendment should be submitted by May 1, 1967, and may be sent to the Board, or to any Federal Reserve Bank.

Printed below is an excerpt from the *Federal Register* of April 12, containing a copy of the notice of the proposed amendment.

Any comments submitted to this Bank should be directed to our Bank Examinations Department. Additional copies of this circular will be furnished upon request.

ALFRED HAYES,  
President.

FEDERAL RESERVE SYSTEM

[ 12 CFR Part 218 ]

[ Reg. R ]

PERMISSIBLE RELATIONSHIPS WITH  
DEALERS IN SECURITIES

Proposed Exceptions

The Board of Governors is considering amending § 218.2, which delineates permissible personnel relationships between banks that are members of the Federal Reserve System and dealers in securities.

That section exempts from the general prohibition of section 32 of the Banking Act of 1933 (12 U.S.C. 78) interlocking relationships between member banks and firms dealing only in certain types of obligations. The proposed amendment would add to such types of obligations "general obligations of any State or of any political subdivision thereof." The effect of the amendment would be to permit interlocking relationships between member banks and securities dealers that confine themselves to underwriting and dealing in securities which member banks themselves may lawfully underwrite.

The amended § 218.2 would read as follows:

§ 218.2 Exceptions.

Pursuant to the authority vested in it by section 32, the Board of Governors of the Federal Reserve System hereby grants permission for any officer, director, or employee of any member bank of the Federal Reserve System, unless otherwise prohibited, to be at the same time an officer, director, or employee of any corporation or unincorporated association, a partner or employee of any partnership, or an individual, engaged in the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail, or through syndicate participation, of any stocks, bonds, or other similar securities, if so engaged only as to the following securities: Bonds, notes, certificates of indebtedness, and Treasury bills of the United States; obligations fully guaranteed both as to principal and interest by the United States; general obligations of Territories, dependencies, and insular possessions of the United States; obligations of Federal Intermediate Credit banks, Federal Land banks, Central Bank for Cooperatives, Federal Home Loan banks, the Federal National Mortgage Association, and the Tennessee Valley Authority; certificates of interest of the Commodity Credit Corporation; general obligations of any State or of any political subdivision thereof; and, subject to specifications con-

tained in paragraph Seventh of section 5136, Revised Statutes (12 U.S.C. 24), obligations of the International Bank for Reconstruction and Development, and Inter-American Development Bank, the Asian Development Bank, local public agencies, public housing agencies, and obligations insured by the Federal Housing Administrator.

This notice is published pursuant to section 553(b), Title 5, United States Code, and section 1(b) of the rules of procedure of the Board of Governors of the Federal Reserve System (12 CFR 262.1(b)).

To aid in consideration of the foregoing matter by the Board, interested persons are invited to submit relevant data, views, or arguments. Such material may be sent directly to the Board or to any Federal Reserve Bank. All such material should be submitted in writing to be received by the Board not later than May 1, 1967.

Dated at Washington, D. C., this 6th day of April 1967.

By order of the Board of Governors.

[SEAL]

MERRITT SHEERMAN,  
Secretary.

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8:45 a.m.]