Amendment to Regulation R, Effective January 1, 1970

To the Member Banks of the Second Federal Reserve District:

Following is the text of a statement issued today by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today an amendment to its Regulation R, which governs the relationships between member banks and securities dealers.

The amendment, effective January 1, will permit an officer, director or employee of a member bank to be an officer, director or employee of a securities company that confines itself to underwriting and dealing in securities a member bank may lawfully underwrite.

Section 32 of the Banking Act of 1933 prohibits interlocking personnel relationships between member banks and securities companies but that law also authorizes the Board to provide exemptions upon determining that they would not unduly influence the investment policies of the banks or the investment advice given to bank customers. Regulation R presently provides an exemption for relationships between member banks and those securities companies that confine their business to the types of obligations listed in the regulation. Not all obligations a member bank may underwrite are within the Regulation R exemption in its present form. The effect of the amendment is to bring within the Regulation R exemption general obligations of a State or political subdivision, obligations of the Government National Mortgage Association and obligations issued by a State or political subdivision (their agencies) for housing, university or dormitory purposes.

Regulation R will be reprinted shortly and will include the above amendment. Copies will be sent to you as soon as they become available. In the meantime, copies of the text of the amendment will be furnished upon request addressed to our Consumer Information and Securities Regulations Department.

ALFRED HAYES,

President.