SECURITIES OF MEMBER STATE BANKS

Revision of Regulation F To Conform With SEC Rules

To State Member Banks in the Second Federal Reserve District:

Following is the text of a statement issued October 23 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today announced amendment of its Regulation F (Securities of Member State Banks) to conform with rules issued by the Securities and Exchange Commission.

Today's revision is required by the Depository Institutions Act of 1974, which made it mandatory for the Board to make the provisions of its Regulation F substantially similar to comparable rules issued by the SEC.

Under Regulation F, State member banks with 500 or more stockholders are required to register and to file periodic reports with the Board and comply with the Regulation's requirements in connection with the solicitation of proxies from shareholders. In addition, officers, directors and principal stockholders of such banks are required to file reports as to their stock ownership in the bank. Further, no tender offer may be made for such a bank's stock unless certain information is concurrently filed with the Board. All reports filed under Regulation F are publicly available. The Regulation applies to 60 State member banks.

Major new provisions of the Regulation require State member banks with 500 or more stockholders to:

1. Include bank stock market data in annual reports.
2. Furnish to a stockholder or investor, upon request, a copy of the annual report filed with the Board.
3. Disclose additional financial data in the annual report to stockholders.
4. Utilize revised stockholder proposal procedures.
5. Follow certain additional requirements with respect to tender offers for registered bank stock.
6. Use expanded and revised forms and instructions in making "insider" ownership reports.

The revision of Regulation F to conform to SEC rules as required by law was proposed February 25 and time for comment expired June 6, 1975. In these proposals the Board invited comment on the question whether the Regulation shall require certification by independent public accountants of bank financial statements. This was not included in the revision announced today. It remains under study by the Board. This revision of Regulation F is distinct from a recent proposal to amend required periodic reports of bank condition and income announced October 1, 1975, and is not connected with a recent SEC proposal concerning disclosure by bank holding companies.

The Comptroller of the Currency and the Federal Deposit Insurance Corporation have issued similar regulatory revisions for banks under their supervision.

Copies of the revised Regulation F will be sent to you as soon as they become available. Questions on this matter may be directed to our Bank Regulations Department.

PAUL A. VOLCKER,
President.