



## NEWS RELEASE

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PR-231-87 (12-11-87)

### FDIC ISSUES FINAL AMENDMENT TO REGULATION FOR SECURITIES AFFILIATES

The Board of Directors of the Federal Deposit Insurance Corporation has revised rules governing the securities activities of nonmember banks by easing restrictions on the sharing of facilities, names and logos by banks and their securities subsidiaries or affiliates.

As part of the regulatory revision, the FDIC Board also established new disclosure requirements which will assure that consumers are informed the securities sold by a bank affiliate or subsidiary are not insured by the FDIC.

The Board's action modifies rules adopted on December 28, 1984, which required nonmember banks to establish subsidiaries or affiliate relationships and use separate names and facilities when engaging in securities activities where such activities are permitted by state law. The prohibition against banks directly engaging in securities trading and underwriting activities has not been altered. However, other restrictions originally intended to minimize confusion on the part of the public have been modified in response to comments submitted to the FDIC.

The regulatory change approved by the Board:

- . Eliminates the requirement that the offices of securities subsidiaries and affiliates must be accessed through a separate entrance from that used by the bank;
- . Permits the use of separate office space to satisfy the requirement for physical separation;
- . Eliminates the prohibition against securities subsidiaries and affiliates sharing a common name or logo with the bank; and

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- . Requires, in four instances, disclosure to the effect that securities recommended, offered or sold by or through a securities subsidiary or affiliate are not FDIC insured deposits, and that such securities are not obligations of, nor are guaranteed by the bank.

The four instances are:

- . If the bank and its subsidiary or affiliate share the same or a similar name or logo;
- . If the bank and its subsidiary or affiliate conduct business in the same location;
- . If the bank's subsidiary or affiliate advertises or promotes particular securities, or solicits purchasers for particular securities, in advertisements, promotions or similar communications in which the bank advertises or promotes its services ("joint advertisements"); or
- . If the bank's subsidiary or affiliate communicates through the bank with the bank's depositors via advertisements, promotions, or solicitations (such as "stuffers") about particular securities.

In the circumstances where disclosure is required, it must be made in writing in documents presented to customers at the time accounts are opened and at least semi-annually in customer statements or confirmations. The disclosures included in joint advertisements and "stuffers" can be tailored to meet the needs of the particular advertising medium.

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