



Securities Transactions

FIL-29-95  
April 7, 1995

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Waiver of Burdensome Disclosures for Certain Securities Transactions for Bank Customers*

On March 21, 1995, the FDIC Board of Directors waived under certain circumstances the requirements that a bank handling securities transactions for customers through a third-party disclose on the confirmation statement or in a separate document the amount of the bank's commission. The waiver, effective immediately, eliminates a disparity in the rules for state nonmember banks in relation to state member banks and national banks, which are not required to provide the disclosures. Even though the commission notice has been waived, bank customers will continue to receive information about their transactions under existing securities industry standards, including disclosure of the total fees paid in connection with the securities transaction.

When a bank handles customer securities transactions through a third party, the bank typically receives a portion of the load, or commission, but the amount may vary depending on the monthly volume and type of sales made. Many banks are unable to determine the precise amount of their fee in advance or immediately after a trade, and therefore are unable to disclose this information to the customer when the transaction is confirmed.

As a result, the FDIC has agreed to waive the disclosure requirements of section 344.4(a) of the agency's regulations provided that: (1) with respect to mutual fund transactions, no fees are added by the bank other than those described in the prospectus; (2) the sale is made by a registered broker-dealer subject to the rules and supervision of the National Association of Securities Dealers (NASD) and the Securities Exchange Commission (SEC); and (3) the sale is conducted in a fashion that meets the requirements of the NASD and SEC. The waiver does not apply in the case of services that are provided in a fiduciary capacity or for services for which a flat fee has been paid that includes securities brokerage.

The waiver is being granted at the request of the American Bankers Association (ABA) and the Independent Bankers Association of America (IBAA). Attached is a copy of the letter to the ABA and IBAA explaining the waiver. The FDIC also will pursue possible amendments to its regulation on an interagency basis with the other banking agencies.

For more information, please contact Curtis Vaughn, an Examination Specialist in the FDIC's Division of Supervision (202-898-6759), or Cris Naser, a Senior Attorney in the Legal Division (202-898-3587).

Stanley J. Poling  
Director

Attachment

Distribution: FDIC-Supervised Banks (Commercial and Savings)