



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429

Division of Supervision

Sales Practices for Government Securities

FIL-23-97
March 21, 1997

TO: CHIEF EXECUTIVE OFFICER
SUBJECT: *Joint Notice of Final Rule on Government Securities Sales Practices
(Part 368 of the FDIC Rules and Regulations)*

The FDIC, the Office of the Comptroller of the Currency and the Federal Reserve Board have adopted regulations for government securities sales practices of banks that are registered (or are required to register) as government securities brokers and dealers. The new regulations take effect July 1, 1997. Attached is a copy of the joint notice of the final rule published in the Federal Register.

The agencies considered comments received in response to their Joint Notice of Proposed Rulemaking published in the Federal Register on April 25, 1996 (see FIL-30-96, dated May 17, 1996). The agencies have adopted rules substantially similar to those proposed in the Joint Notice of Proposed Rulemaking and the rules of the National Association of Securities Dealers.

The measures adopted by the agencies consist of a business conduct rule, a suitability rule and an investment suitability interpretation:

- The business conduct rule requires banks that are government securities brokers and dealers to observe high standards of commercial honor and maintain just and equitable principles of trade in the conduct of their business.
- The suitability rule requires banks that are government securities brokers and dealers to have reasonable grounds for believing an investment recommendation is suitable for a customer based on customer securities holdings, financial situation and needs.
- The investment suitability interpretation highlights factors that may be relevant in the evaluation of a bank's compliance with the suitability rule in transactions with institutional customers.

For more information, please contact Keith Ligon, Chief, Policy Unit, Securities, Capital Markets and Trust Branch, Division of Supervision (DOS), at (202) 898-3618; Kenton P. Fox, Senior Capital Markets Specialist, DOS, at (202) 898-7119; or Karen L. Main, Senior Attorney, Legal Division, at (202) 898-8838.

Nicholas J. Ketcha Jr.
Director

[Attachment](#)

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