



FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON

OFFICE OF THE DIRECTOR

November 29, 1963

Dear Mr. Chairman:

The views of this Corporation have been requested on H.R. 8499, a bill to amend the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Investment Company Act of 1940, as amended, to provide for the regulation of collective investment funds maintained by banks, and for other purposes.

Specifically, H.R. 8499 would require any bank which maintains one or more collective investment funds to maintain each such fund in conformity with the provisions of the proposed Act and in conformity with the rules and regulations of the Comptroller of the Currency pertaining to collective investment by national banks. Any bank maintaining a collective investment fund would be required to file a written plan with the appropriate supervisory agency for each such fund which plan, together with revisions and supplements thereto, would be available for public inspection. Such a bank would also be required to file with the appropriate supervisory agency a periodic financial statement for each collective investment fund containing certain prescribed information, which statement would be furnished to interested parties of each participating account. The Comptroller of the Currency would prescribe rules and regulations governing the form of the plans and financial reports to be filed by banks, and other matters relating to such funds. The Comptroller would also be empowered to exempt any class or classes of collective investment funds from any provision of the Act or any rule or regulation promulgated with respect thereto.

As you are aware, since the expiration of the term of former Chairman Erle Cocks, Sr., Mr. James Saxon, Comptroller of the Currency, has been Acting Chairman of the Corporation. Inasmuch as Mr. Saxon, as Comptroller of the Currency, may express his views on the legislation proposed by H.R. 8499, I cannot express the official position of the Corporation on these matters. Accordingly, the views presented herein represent my own personal views on H.R. 8499.

I would interpose no objection to the purpose of the legislation proposed by H.R. 8499, regulating collective investment funds maintained by banks and requiring public disclosure thereof.

However, I do not favor that portion of H.R. 8499 which would require that all banks be subject to the rules and regulations of the Comptroller of the Currency pertaining to collective investments by national banks.

Under the provisions of the proposed bill, all insured banks which are not members of the Federal Reserve System and which are under

the jurisdiction of the Federal Deposit Insurance Corporation would be required to conform to the regulation of collective investment funds maintained by such banks in the form and manner prescribed by the Comptroller of the Currency. State banks which are members of the Federal Reserve System and any other banks which have elected to maintain collective investment funds in accordance with the provisions of the proposed bill and have so notified any one of the appropriate Federal banking supervisory authorities would likewise be subject to conform to such regulations of the Comptroller of the Currency.

This section of the bill is, in my opinion, a step away from the concept of the dual banking system which, by established principle, permits laws applicable to national banks to be administered by the Comptroller of the Currency and those applicable to State banks to be administered by appropriate Federal supervisory authority.

For the above reason, I would call your attention to the suggestion made by this Corporation on S. 1642, a bill to amend the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, to extend disclosure requirements to the issuers of publicly traded securities. S. 1642 provided for the delegation by the Securities and Exchange Commission of the responsibility for administering the provisions requiring such information to be reported from banks issuing such securities to the appropriate Federal banking regulatory authority. This Corporation voiced its objection to this provision in S. 1642 and suggested that the authority to administer the securities laws with respect to disclosure requirements be placed in the respective Federal banking regulatory agencies with the power to determine the specific nature of such disclosure requirements. Prior to its passage by the United States Senate, S. 1642 was amended to place such authority in the appropriate Federal banking agency.

In my opinion, H.R. 8499 should be similarly amended to provide that this Corporation, in the case of insured State banks which are not members of the Federal Reserve System, be authorized to administer the provisions of law relating to collective investment funds maintained by such banks, in such manner as by regulation is necessary to meet the statutory requirements.

Of course, these views being personal, they have not been submitted to the Bureau of the Budget for advice as to their relationship to the program of the Administration.

Sincerely yours,

(Signed) Jesse P. Wolcott

Jesse P. Wolcott
Director

Hon. Oren Harris, Chairman
Committee on Interstate and Foreign Commerce
House of Representatives
Washington, D. C.