

*SLB*

October 13, 1972

Honorable Arthur F. Burns  
Chairman, Board of Governors  
Federal Reserve System  
Constitution Avenue at 21st  
Washington, D. C. 20551

Dear Arthur:

Thank you for sending me a copy of the letter  
which you wrote to Senator Williams regarding S. 3676 and  
H.R. 16946.

I appreciate your thoughtfulness in sending  
this letter to me.

With best wishes, I am

Sincerely,

John Spelman  
Chairman

RWB:mhw



CHAIRMAN OF THE BOARD OF GOVERNORS  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

October 12, 1972

RECEIVED

OCT 12 1972

B. & C. COMM.

The Honorable John Sparkman  
Chairman  
Committee on Banking,  
Housing and Urban Affairs  
United States Senate  
Washington, D. C. 20510

Dear Mr. Chairman:

I thought you might be interested in the enclosed copy of a letter I am sending to Senator Williams, as Chairman of the Subcommittee on Securities, regarding S. 3876 and H. R. 16946, providing for the regulation of securities depositories, clearing agencies, and transfer agents.

With warm regards,

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Arthur F. Burns".

Arthur F. Burns

Enclosure



CHAIRMAN OF THE BOARD OF GOVERNORS  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

October 12, 1972

The Honorable Harrison A. Williams, Jr.  
Chairman  
Subcommittee on Securities  
Committee on Banking, Housing and Urban Affairs  
United States Senate  
Washington, D. C. 20510

Dear Mr. Chairman:

I am writing in regard to S. 3876 and H.R. 16946, providing for the regulation of securities depositories, clearing agencies, and transfer agents. The Board of Governors believes that with respect to banks, bank holding companies, and nonbank subsidiaries of bank holding companies the provisions of S. 3876 are preferable to those of H.R. 16946.

In contrast with the Senate bill, the House bill makes no provision for supervision by the Board of Governors of bank holding companies and their nonbank subsidiaries. In conformity with the regulatory structure established by the Congress, the Board should be provided with enforcement authority over securities transaction processing firms that are bank holding companies or nonbank subsidiaries of such companies, as provided in section 4 of S. 3876.

Both bills recognize that for banks that are subject to the new legislation, enforcement should be in the hands of the appropriate banking agency. However, the House bill departs from this principle in several instances. Thus, it would authorize SEC to examine banks under some circumstances--a provision that is unnecessary and could result in duplication of effort and confusion of responsibility. Another example relates to registration. Where a bank acts as transfer agent, the Senate bill provides for registration with the appropriate banking agency but the House bill requires registration with SEC. A third example relates to the appointment of a trustee in case a clearing agency is suspended or its registration revoked; the Senate bill provides for such action to be taken by the appropriate regulatory agency, whereas the House bill places that responsibility in SEC.

The Honorable Harrison A. Williams, Jr.

-2-

Moreover, the Senate bill includes more effective provisions for consultation among the appropriate regulatory agencies than the House bill. For example, under S. 3876, any agency contemplating issuance or adoption of any rule or regulation would be required to consult with and request the views of the other agencies at least fifteen days in advance. In contrast, H.R. 16496 provides simply that "the appropriate regulatory agencies shall consult and cooperate with each other, as may be appropriate, toward the end that their mutual regulatory needs and responsibilities be fulfilled to the maximum extent practicable."

In sum, we believe that in a number of respects the Senate bill more effectively conforms to the traditional patterns of bank supervision established by Congress to assure sound banking practices.

Sincerely yours,



Arthur F. Burns