To - SEC Comments on Dregs Recs

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

OFFICE OF THE
GENERAL COUNSEL

6-6

March 8, 1984

Richard Breeden, Esquire
Deputy Counsel to the Vice President
274 Old Executive Office Building
Washington, D. C. 20501

Re: Task Group Recommendations, Draft dated February 28, 1984

Dear Richard:

In accordance with your request, I have reviewed the February 28, 1984 draft of the recommendations of the Task Group on regulation of financial services. I have marked suggested revisions on the attached copies of pages 11, 18, 19, and 22. For the most part, the revisions are self-explanatory but, because several of them alter language of a number of prior drafts, the following explanations should be helpful:

1. Recommendation 2.9 -- Streamline Reporting Requirements for Bank Holding Companies

   Page 11, runover paragraph. The phrase "for reports to it" should be inserted in the first full sentence to make it clear that the holding company regulator would be authorized to establish lesser reporting requirements for reports to it, but would not be authorized to lessen reporting requirements to the public and the SEC under the securities laws and SEC rules.

You may recall that, prior to the January 18, 1984 meeting of the Task Group, you confirmed to me that this was the intent of the recommendation.

2. Recommendation 5.2 -- Centralization of Securities Responsibilities

   (a) Page 18, third paragraph -- The beginning of the first sentence should be changed to read, "The registration requirements of the Securities Act of 1933 should be made applicable to publicly offered [equity and long-term debt] securities of banks and thrifts (but not deposit instruments) and administration and enforcement of disclosure and other requirements of the Securities Exchange

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Act of 1934 for bank and thrift securities should be transferred from the bank and thrift regulatory agencies to the SEC * * *." */

This is also a clarification of the intention of the recommendation. We originated the term "equity and long-term debt securities" and have been using it as a shorthand phrase to describe publicly-issued equity and debt securities of banks and thrifts, but not certificates of deposit and other evidences of deposits indebtedness, such as savings account passbooks. The suggested language merely clarifies that intent, as does the phrase "administration and."

(b) Page 19, runover paragraph - mutual-to-stock conversions -- In connection with mutual-to-stock conversions, I understand from Tom Long that Chairman Gray of the FHLBB has not yet agreed to "subsequent transfer of securities responsibilities to the SEC." Assuming that he does, I believe that first part of the phrase should read "subject to continued exclusive FHLBB review for a limited period * * *."

The insertion of "exclusive" is advisable because we have never contended that the FHLBB should cease regulatory reviews.

3. Recommendation 5.4 - Transfer of Margin Responsibilities for Options on Financial Instruments, page 19

This recommendation should be amended to read

"Without prejudice to the desirability of further changes to margin regulation in general, which should be considered following completion of current studies in progress, the current procedures, which provide for establishment of margin requirements for options on financial instruments (other than options on individual equity securities) [should be established] by appropriate securities exchanges instead of the FRB[.] ,with SEC [The SEC should have] veto authority, should be codified by amending Section 7 of the Securities Exchange Act to eliminate FRB authority over such instruments. [over such margins.]"

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*/ New material underlined, deletions bracketed.

This merely conforms the recommendation to the facts and the explanation in Tab 36, second page, last full paragraph.

4. Recommendation 5.16 - Application of Glass-Steagall Act Upon Passage of Deregulatory Legislation, page 22

In the fourth line, strike the phrase "long-term corporate debt or equity".

This phrase should be eliminated for the reasons set forth above regarding Recommendation 5.2. In addition, the phrase is unnecessary because the recommendation refers to the Glass-Steagall prohibition against affiliation between banks and firms engaged in underwriting securities; the recommendation merely is to extend that prohibition -- whatever it is -- to state-chartered non-member banks and insured thrift institutions and their subsidiaries.

Please let me know if we can be of further assistance in this matter.

Sincerely,

Alan Rosenblat

Alan Rosenblat
Assistant General Counsel