

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 9410

January 9, 2007

**BANKING SUPERVISION AND REGULATION:
PROPOSED RULES**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

**Agencies Propose Joint Rules to Implement the Bank “Broker” Provisions of the Gramm-
Leach-Bliley Act**

The Securities and Exchange Commission (SEC) and Board of Governors of the Federal Reserve System announced the release of joint proposed rules to implement the “broker” exceptions for banks under Section 3(a)(4) of the Securities Exchange Act of 1934. These exceptions were adopted as part of the Gramm-Leach-Bliley Act of 1999 (GLB Act). The SEC and the Board approved issuing the joint proposed rules for public comment at separate open meetings held on December 13, and December 18, 2006.

The proposed rules would help define the scope of securities activities that banks may conduct without registering with the SEC as a securities broker, and would implement the most important “broker” exceptions for banks adopted by the GLB Act. Specifically, the proposed rules would implement the statutory exceptions that allow a bank, subject to certain conditions, to continue to conduct securities transactions for its customers as part of the bank’s trust and fiduciary, custodial and deposit “sweep” functions, and to refer customers to a securities broker-dealer pursuant to a networking arrangement with the broker-dealer.

The proposed rules are designed to accommodate the business practices of banks and to protect investors. In developing these proposed joint rules, the agencies consulted extensively with the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Office of Thrift Supervision.

Comments on the proposed rules are requested within 90 days of publication in the Federal Register. The agencies request comment on all aspects of the proposed rules.

Additional Information

All circulars and documents are available on the internet through the Federal Reserve Bank of San Francisco’s website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact our Banking Supervision and Regulation Department at (415) 974-2225.

FEDERAL RESERVE BANK OF SAN FRANCISCO

Attachment: [Docket No. R-1274](#)