

FRB: Agencies adopt final rules to implement the bank "broker" provisions of the Gramm-Leach-Bliley Act

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Joint Press Release

Securities and Exchange Commission

Board of Governors of the Federal Reserve System

For immediate release September 24, 2007 Agencies Adopt Final 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 (Board) on Monday announced the adoption of final

joint
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
the final rules at separate open meetings held on September 19, 2007, and
September 24, 2007, respectively.
The Board and SEC issued proposed rules for comment in December 2006.
The final
rules are similar to the proposed rules in overall scope and approach. In
response to comments, the agencies also have modified the rules in several
important respects to make the rules more workable and less burdensome.
These
changes are discussed in detail in the attached notice, which will be
published
in the Federal Register shortly.
The rules define the scope of securities activities that banks may conduct
without registering with the SEC as a securities broker and implement the
most
important broker exceptions for banks adopted by the GLB Act. Specifically,
the rules 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 banks 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 rules are designed to accommodate the business practices of banks and
to
protect investors. In developing these 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. Banks do
not have to start complying with the rules until the first day of their fiscal
year commencing after September 30, 2008. The Federal Register notice is
attached.

Statement by Governor Randall S. Kroszner
Attachment (530 KB PDF)

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Last update: September 24, 2007

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