

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 458

To permit national banks, State member banks, and bank holding companies to establish subsidiaries which underwrite shares of and sponsor investment companies, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 1993

Mr. HOAGLAND introduced the following bill; which was referred to the  
Committee on Banking, Finance and Urban Affairs

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## A BILL

To permit national banks, State member banks, and bank holding companies to establish subsidiaries which underwrite shares of and sponsor investment companies, and for other purposes.

1        *Be it enacted by the Senate and House of Representa-*  
2        *tives of the United States of America in Congress assembled,*

3        **SECTION 1. SHORT TITLE.**

4        This Act may be cited as the “Financial Services Act  
5        of 1993”.

1 **SEC. 2. AUTHORIZATION FOR A SUBSIDIARY OF A NA-**  
2 **TIONAL BANK TO UNDERWRITE SHARES OF**  
3 **AND SPONSOR INVESTMENT COMPANIES.**

4 Section 5136 of the Revised Statutes of the United  
5 States (12 U.S.C. 24) is amended by adding at the end  
6 the following new paragraph:

7 “(11) MUTUAL FUNDS.—

8 “(A) IN GENERAL.—Notwithstanding the  
9 restrictions and limitations in the paragraph  
10 designated ‘Seventh’, to engage in the business  
11 of dealing in, underwriting, and distributing the  
12 shares of any investment company (as defined  
13 in section 3 of the Investment Company Act of  
14 1940) and to organize, sponsor, manage, or  
15 control such an investment company if such ac-  
16 tivities are conducted through a nonbank sub-  
17 sidiary of the bank.

18 “(B) COORDINATION WITH OTHER PROVI-  
19 SIONS.—The activities authorized by this para-  
20 graph are in addition to any other activity in  
21 which a national bank may engage directly pur-  
22 suant to another provision of law, or as other-  
23 wise authorized by the Comptroller of the Cur-  
24 rency, and this paragraph shall not be con-  
25 strued as prohibiting a national bank from en-  
26 gaging in such other activity directly.

1           “(C) SUBSIDIARY DEFINED.—For pur-  
2           poses of this paragraph, the term ‘subsidiary’  
3           means a corporation more than 25 percent of  
4           the voting stock of which is owned by a national  
5           bank. Such a corporation may be a subsidiary  
6           of more than 1 national bank.”.

7   **SEC. 3. AUTHORIZATION FOR A SUBSIDIARY OF A STATE**  
8                           **MEMBER BANK TO UNDERWRITE SHARES OF**  
9                           **AND SPONSOR INVESTMENT COMPANIES.**

10          The 20th undesignated paragraph of section 9 of the  
11 Federal Reserve Act (12 U.S.C. 335) is amended by in-  
12 serting before the period at the end the following: “, and  
13 to the same exception to such limitations and conditions  
14 as is applicable to national banks under paragraph (11)  
15 of such section”.

16   **SEC. 4. DISCLOSURE REQUIREMENTS APPLICABLE TO SUB-**  
17                           **SIDIARIES OF NATIONAL AND STATE MEM-**  
18                           **BER BANKS.**

19          The Federal Reserve Act is amended by inserting  
20 after section 9A of the Federal Reserve Act (12 U.S.C.  
21 339) the following new section:

22   **“SEC. 9B. DISCLOSURE REQUIREMENTS.**

23          “(a) IN GENERAL.—If a nonbank subsidiary of a na-  
24 tional bank or State member bank engages in activities  
25 pursuant to section 5136(11) of the Revised Statutes of

1 the United States or the 20th undesignated paragraph of  
2 section 9 of this Act, the subsidiary shall—

3 “(1) provide a 1-time written disclosure to each  
4 customer that—

5 “(A) the subsidiary is not an insured de-  
6 pository institution;

7 “(B) the subsidiary is a separate corporate  
8 entity from any insured depository institution  
9 which is an affiliate of the subsidiary; and

10 “(C) any product sold, offered, or rec-  
11 ommended by the subsidiary is not insured by  
12 the Federal Deposit Insurance Corporation, is  
13 not guaranteed by an insured depository insti-  
14 tution, and is not otherwise an obligation of an  
15 insured depository institution; and

16 “(2) obtain a 1-time written acknowledgement  
17 from each customer that the disclosures described in  
18 paragraph (1) have been received.

19 “(b) REGULATION OF METHOD OF DISCLOSURES.—  
20 Any disclosures under subsection (a) shall be made in ac-  
21 cordance with such regulations as may be prescribed—

22 “(1) by the Comptroller of the Currency, in the  
23 case of a subsidiary of a national bank; or

24 “(2) by the Board, in the case of a subsidiary  
25 of a State member bank.

1       “(c) EXCEPTIONS AND ADDITIONAL INFORMA-  
2 TION.—The Comptroller of the Currency, in the case of  
3 a subsidiary of a national bank, and the Board, in the  
4 case of a subsidiary of a State member bank, may—

5           “(1) require additional information to be dis-  
6 closed under subsection (a) by the subsidiary; and

7           “(2) grant any exception to the disclosure re-  
8 quirement under subsection (a) which is consistent  
9 with the purposes of such subsection.”.

10 **SEC. 5. AUTHORIZATION FOR A MEMBER BANK TO BE AF-**  
11 **FILIATED WITH A COMPANY WHICH UNDER-**  
12 **WRITES SHARES OF AND SPONSORS INVEST-**  
13 **MENT COMPANIES.**

14       The 1st sentence of section 20 of the Banking Act  
15 of 1933 (12 U.S.C. 377) is amended by striking “securi-  
16 ties: *Provided*, That nothing in this paragraph” and in-  
17 serting “, except to the extent such affiliate is engaged  
18 in activities in accordance with section 5136(11) of the  
19 Revised Statutes of the United States, the 20th undesig-  
20 nated paragraph of section 9 of the Federal Reserve Act,  
21 or section 4(c)(15) of the Bank Holding Company Act of  
22 1956. Nothing in this paragraph”.

1 **SEC. 6. AUTHORIZATION FOR A MEMBER BANK AND AN AF-**  
2 **FILIATE ENGAGED IN INVESTMENT COMPANY**  
3 **ACTIVITIES TO HAVE MANAGEMENT INTER-**  
4 **LOCKS.**

5 Section 32 of the Banking Act of 1933 (12 U.S.C.  
6 78) is amended—

7 (1) by inserting “(a) GENERAL PROHIBITION  
8 AND EXCEPTION.—” before “No officer,”; and

9 (2) by adding at the end the following new sub-  
10 section:

11 “(b) EXCEPTION FOR AFFILIATES ENGAGED IN IN-  
12 VESTMENT COMPANY ACTIVITIES.—Subsection (a) shall  
13 not apply so as to prohibit an officer, director, or employee  
14 of a nonbank subsidiary of a national bank, State member  
15 bank, or bank holding company which is engaged in activi-  
16 ties in accordance with section 5136(11) of the Revised  
17 Statutes of the United States, the 20th undesignated  
18 paragraph of section 9 of the Federal Reserve Act, or sec-  
19 tion 4(c)(15) of the Bank Holding Company Act of 1956  
20 from serving at the same time as an officer, director, or  
21 employee of such bank, the bank holding company, a mem-  
22 ber bank which is an affiliate of such bank, or an invest-  
23 ment company that is organized, sponsored, managed, or  
24 controlled by a subsidiary of such bank or holding com-  
25 pany.”.

1 **SEC. 7. AUTHORIZATION FOR A BANK HOLDING COMPANY**  
2 **TO ESTABLISH A COMPANY WHICH UNDER-**  
3 **WRITES SHARES OF AND SPONSORS INVEST-**  
4 **MENT COMPANIES.**

5 (a) **IN GENERAL.**—Section 4(c) of the Bank Holding  
6 Company Act of 1956 (12 U.S.C. 1843(c)) is amended—

7 (1) by striking “or” at the end of paragraph  
8 (13);

9 (2) by striking the period at the end of para-  
10 graph (14)(H)(ii) and inserting “; or”; and

11 (3) by inserting after paragraph (14)(H)(ii) the  
12 following new paragraph:

13 “(15) shares of any company engaged in deal-  
14 ing in, underwriting, or distributing the shares of  
15 any investment company (as defined in section 3 of  
16 the Investment Company Act of 1940), or organiz-  
17 ing, sponsoring, managing, or controlling such in-  
18 vestment company.”.

19 (b) **DISCLOSURE REQUIREMENTS.**—Section 4 of the  
20 Bank Holding Company Act of 1956 (12 U.S.C. 1843)  
21 is amended by adding at the end the following new sub-  
22 section:

23 “(j) **DISCLOSURE REQUIREMENTS FOR SUBSECTION**  
24 **(c)(15) ACTIVITIES.**—

1           “(1) IN GENERAL.—Any bank holding company  
2 which controls a company described in subsection  
3 (c)(15) shall require such company to—

4           “(A) provide a 1-time written disclosure to  
5 each customer that—

6           “(i) the company is not an insured de-  
7 pository institution;

8           “(ii) the company is a separate cor-  
9 porate entity from any insured depository  
10 institution which is an affiliate of the com-  
11 pany; and

12           “(iii) any product sold, offered, or rec-  
13 ommended by the company is not insured  
14 by the Federal Deposit Insurance Corpora-  
15 tion, is not guaranteed by an insured de-  
16 pository institution, and is not otherwise  
17 an obligation of an insured depository in-  
18 stitution; and

19           “(B) obtain a 1-time written acknowledge-  
20 ment from each customer that the disclosures  
21 described in subparagraph (A) have been re-  
22 ceived.

23           “(2) REGULATION OF METHOD OF DISCLO-  
24 SURES.—Any disclosures under paragraph (1) shall

1 be made in accordance with such regulations as the  
2 Board may prescribe.

3 “(3) EXCEPTIONS AND ADDITIONAL INFORMA-  
4 TION.—The Board may—

5 “(A) require additional information to be  
6 disclosed by the company under paragraph (1);  
7 and

8 “(B) grant any exception to the disclosure  
9 requirement under paragraph (1) which is con-  
10 sistent with the purposes of such subsection.”.

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