

NR 98-12
January 30, 1998

WASHINGTON, DC -- Comptroller of the Currency Eugene A. Ludwig asked bank, thrift and credit union regulators January 26 to consider whether the interagency guidelines on nondeposit investment products should be converted into regulations.

Mr. Ludwig also asked the four agencies to consider whether insurance sales activities by banks should be brought within uniform interagency standards.

Mr. Ludwig said in his letter that it is an appropriate time to consider a regulation because the agencies now have several years of experience in working with the guidelines. The interagency guidelines, which were adopted on February 15, 1994, set out standards for banks that sell investment products, including disclosures that such products are not insured by the FDIC or guaranteed by the bank.

The letter went to the members of the Federal Financial Institutions Examinations Council, an umbrella organization whose members include the OCC, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision and the National Credit Union Administration. Mr. Ludwig currently chairs the FFIEC.

A copy of the Comptroller's letter is attached.

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The OCC charters, regulates and supervises approximately 2,600 national banks and 66 federal branches and agencies of foreign banks in the U.S., accounting for more than 56 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.

January 26, 1998

The Honorable Susan M. Phillips
Hove
Vice Chair
Board of Governors of the Federal
Reserve System
20th and C Streets, N.W.
Washington, D.C. 20551

The Honorable Andrew C.
Acting Chairman
Federal Deposit Insurance
Corporation
550 17th Street, N.W.
Washington, D.C. 20429

The Honorable Ellen S. Seidman
Director
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552

The Honorable Norman E.
D'Amours
Chairman
National Credit Union
Administration
1775 Duke Street
Alexandria, Virginia 22314

Dear FFIEC Members:

I am writing to recommend that the FFIEC consider initiating an interagency effort to reevaluate the Interagency Statement on Retail Sales of Nondeposit Investment Products (February 15, 1994) ("Interagency Statement"). Our review of this area may be appropriate at this time based on our several years of experience with the Interagency Statement, and in light of the recently adopted rule of the National Association of Securities Dealers ("NASD") which specifies requirements applicable to broker-dealers operating on the premises of financial institutions (NASD Notice to Members 97-89, December 1997) ("NASD Rule").

At the time we adopted the Interagency Statement, retail sales of nondeposit investment products through financial institutions was a relatively new activity that merited the flexibility afforded by the Interagency Statement as the activity evolved. Now that the agencies have had more experience supervising these activities, and the NASD has included provisions from the Interagency Statement in its Rule, it may be timely for us to consider whether parts of the Interagency Statement should be modified or adopted as a uniform interagency regulation.

I also want to raise another related issue with you. As you know, financial institutions are becoming increasingly involved with selling insurance products. This expanding activity raises a variety of regulatory issues, including some of the same types of disclosure and customer protection issues that are addressed by the Interagency Statement. Our review of this area could reasonably include consideration of whether insurance sales activities by financial institutions should be brought

within our uniform interagency standards.

In considering these issues, we need to be mindful of the wide variety of financial institutions involved in providing these investment and insurance products. We also need to ensure that effective disclosures are provided to financial institutions' customers, particularly regarding the lack of federal deposit insurance coverage. Our concern with promoting the best interests of financial institutions' customers in connection with these activities must be reflected in any new initiatives.

Our agencies have coordinated effectively in establishing standards for sales of nondeposit investment products through financial institutions. I look forward to our continued cooperation on these important issues and welcome your views on this proposed FFIEC initiative.

Sincerely,

Eugene A. Ludwig
Comptroller of the Currency

cc: Joe M. Cleaver, Executive Secretary, FFIEC