

Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

FEDERAL RESERVE SYSTEM

12 CFR Parts 208, 211, and 225

[Regulations H, K and Y; Docket No. R-1019]

Membership of State Banking Institutions in the Federal Reserve System; International Banking Operations; Bank Holding Companies and Change in Bank Control

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Withdrawal of notice of proposed rulemaking.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) published a Notice of Proposed Rulemaking in the **Federal Register** on December 7, 1998. The proposed regulation would have required state member banks, certain bank holding companies and their nonbank subsidiaries, certain U.S. branches and agencies and nonbank subsidiaries of foreign banks, and Edge and Agreement corporations (collectively referred to as a "bank" or "banks") to develop and maintain "Know Your Customer" programs. The Board received over 17,000 comments, the overwhelming majority of which were strongly opposed to the adoption of the proposed regulation. After considering the issues raised by the comments, and in view of the strong opposition to the proposed regulation, the Board is withdrawing the Notice of Proposed Rulemaking.

DATES: The proposed rule is withdrawn on March 31, 1999.

FOR FURTHER INFORMATION CONTACT: Richard A. Small, Assistant Director, Division of Banking Supervision and Regulation, (202) 452-5235 or Pamela J. Johnson, Senior Anti-Money Laundering Coordinator, Division of Banking Supervision and Regulation, (202) 728-5829. For users of Telecommunications Devices for the Deaf (TDD) only contact Diane Jenkins, (202) 452-3544, Board of Governors of the Federal Reserve

System, 20th and C Streets, N.W., Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: On December 7, 1998, the Board published proposed revisions to Part 208 (Membership of State Banking Institutions in the Federal Reserve System (Regulation H)), Part 211 (International Banking Operations (Regulation K)) and Part 225 (Bank Holding Companies and Change in Bank Control (Regulation Y)) of the Board's Rules (63 FR 67516, December 7, 1998). The proposed revisions were intended to provide guidance to banks to facilitate and ensure their compliance with existing federal reporting and record keeping requirements, such as those found in the Bank Secrecy Act. It was intended to help protect the integrity and reputation of the financial services industry and assist the government in its efforts to combat money laundering and other illegal activities that might be occurring through financial institutions.

The Board's proposal was substantially the same as regulations proposed by the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Office of Thrift Supervision.

The Board received more than 17,000 comments. Comments were received from community, regional and multinational banks, members of Congress, trade and industry groups, as well as the general public.

The overwhelming majority of commenters were individual, private citizens who voiced strong opposition to the proposal as an invasion of personal privacy. Other issues raised by these commenters included the Board's authority to issue the proposal; the cost of any "Know Your Customer" program would be passed on to customers; and the regulation would be ineffective in preventing money laundering and other illicit financial activities.

Banks and trade associations that commented on the proposal uniformly opposed its implementation. Their arguments against the proposal included the following: (1) The regulation would be very costly to implement, especially for small banks; (2) a "Know Your Customer" program would invade customer privacy; (3) commercial banks would be unfairly disadvantaged and lose customers if all segments of the financial services industry were not

covered; (4) compliance with the regulation would divert resources from Year 2000 preparation; (5) the Board lacked authority to adopt the regulation; (6) public confidence in the banking industry would be harmed by the regulation; and (7) the regulation is both unnecessary and redundant, as banks are already familiar with their customers and have adequate procedures in place.

The Board has carefully reviewed the comments received during the 90-day comment period. Based upon that review, and in light of the overwhelming objections raised by the public, the Board has decided to withdraw the proposed regulation.

By order of the Board of Governors of the Federal Reserve System, March 25, 1999.

Robert deV. Frierson,

Associate Secretary of the Board

[FR Doc. 99-7837 Filed 3-30-99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

17 CFR PARTS 240 and 249b

[Release No. 34-41204; File No. S7-11-99]

RIN 3235-AH44

Revised Transfer Agent Form and Related Rule

AGENCY: Securities and Exchange Commission.

ACTION: Proposed rule.

SUMMARY: The Securities and Exchange Commission (Commission) is publishing for comment its proposal to amend Rule 17Ac2-2 and related Form TA-2 and its proposal to rescind Rule 17a-24 under the Securities Exchange Act of 1934. The amendment would make technical corrections and provide greater clarity to Form TA-2. Accordingly, the amendments are designed to clarify filing requirements and instructions; eliminate or change ambiguous terms and phrases; delete certain redundant or unnecessary questions; and add questions that would help the Commission to more effectively monitor the transfer agent industry.

DATES: Comments are due on or before May 17, 1999.

ADDRESSES: Comments should be submitted in triplicate to Jonathan G.