

# Agencies Adopt Final Rules to Implement the Bank “Broker” Provisions of the Gramm-Leach-Bliley Act

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September 24, 2007

Securities and Exchange Commission

Board of Governors of the Federal Reserve System

For immediate release

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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 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 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](#)

[Federal Register Notice 353 KB PDF](#) | [TEXT](#)

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