



BULLETIN

B-90-3

August 28, 1990

Attached is a copy of the Department's recently promulgated securities regulations which become effective September 26, 1990. These regulations were promulgated pursuant to Public Chapter 168, Acts of 1989, (codified at T.C.A. Sections 45-2-1801 et seq.) which expands the scope of permissible securities activities for state-chartered banks. In addition to setting forth certain parameters within which a state-chartered bank may engage in various securities activities, these regulations describe the application process a state-chartered bank must complete to gain the approval needed to engage in any of these activities.

Prior to engaging in any of the activities listed in T.C.A. Section 45-2-1802, a state-chartered bank must apply for and receive authorization from this Department. While these regulations expand the scope of permissible securities activities for state-chartered banks, neither these regulations nor T.C.A. Sections 45-2-1801 et seq. authorize any state-chartered bank to engage in any activity which is prohibited by federal law.

Prior to the passage of T.C.A. Sections 45-2-1801 et seq., Public Chapter 168, Acts of 1989, certain securities activities were already permissible for state-chartered banks. Any state-chartered bank which, prior to January 1, 1990, engaged in any activity listed in T.C.A. Section 45-2-1802 may be exempt from the application requirement if that bank, within 90 days of the effective date of these regulations, provides the Commissioner with a detailed description of the following: (1) the activities in which the bank was engaged on January 1, 1990; (2) the locations at which the activities are conducted; and (3) the identity and qualifications of the persons in charge of those activities. This exemption only applies to activities conducted by the bank prior to January 1, 1990.

State-chartered banks should understand that these regulations are not the only regulations that will govern the securities activities of state-chartered banks. Chapter 0180-19-.03(3) requires that any application to engage in securities activities shall contain a legal opinion signed by an attorney or law firm that the proposed activities are permissible under state and federal laws and regulations. Further, applicants must demonstrate compliance with state and federal registration requirements and show that they have obtained all licenses, state

and federal, required to engage in proposed the activities.-
Additionally, the Commissioner may request an opinion letter from
any appropriate federal regulatory agency approving the proposed
securities activities of a state-chartered bank.

In reviewing all applications, the Department of Financial
Institutions will place great importance upon the related
expertise of management and employees wishing to engage in any
proposed activity. As required by the regulations, any bank
wishing to engage in securities activities must demonstrate that
it has sufficient managerial resources to conduct the proposed
activities.

Any questions regarding these regulations may be directed to
Staff Attorney Roger W. Thomas at (615) 741-0346.