

**Securities Industry Association**

120 Broadway, New York, NY 10271-0080, (212) 608-1500, Fax (212) 608-1604
1401 Eye Street, NW, Washington, DC 20005-2225, (202) 296-9410, Fax (202) 296-9775
info@sia.com, <http://www.sia.com>

March 9, 1998

Ernest Patrikis
Chairman, Financial Markets Lawyers Group
First Vice President
Federal Reserve Bank of New York
33 Liberty Street, 10th floor
New York, NY 10045

Dear Mr. Patrikis:

The Federal Regulation Committee ("Committee") of the Securities Industry Association ("SIA")¹ appreciates the opportunity to provide comments to the Working Group of the Financial Markets Lawyers Group on its October 7, 1997 draft "Guidelines for Transactions Involving Intermediaries" ("Draft Guidelines"). The Committee commends the Working Group for its effort to promote practices aimed at providing greater certainty in transactions between dealers and counterparties conducted through intermediaries acting as counterparty agents.

The Committee supports the Draft Guidelines in their current form. The Draft Guidelines should be helpful to ensure a better understanding among all marketplace participants concerning

- (i) the importance of full cooperation between dealers, intermediaries and counterparties in ensuring that reasonable procedures are followed as appropriate on matters such as account documentation, credit approval and analysis, counterparty identity, intermediary authority, security of confidential information, and other matters;
- (ii) the need for flexibility to adjust procedures to accommodate changes in the relationship, as well as changes in the economic or regulatory environments; and
- (iii) the significance of a multitude of factors that may affect the nature of procedures to be followed, including but not limited to the type of transaction involved, the reputation of the intermediary, or the extent to which specific regulatory requirements on matters such as suitability pertain.

The Draft Guidelines are a useful response to some of the problems posed by the fact that dealers and intermediaries in the market often fall within several distinct categories of regulation (e.g., securities, banking or insurance regulation). As entities subject to different regulatory

regimes increasingly interact, it is helpful to harmonize differences between those regulatory approaches. At the same time, it would be problematic to try to fashion a uniform common denominator between distinct regulatory approaches. Such an approach might result in rigid requirements that do not permit sufficient flexibility for participants to tailor their procedures to complex and changing conditions. The Committee believes that the Draft Guidelines successfully avoid this danger, while helping market participants to interact with common expectations, notwithstanding the different regulatory regimes that may apply to many of them.

Again, thank you for giving the Committee the opportunity to review the Draft Guidelines. If you have any questions, please contact the undersigned, or George Kramer, the Committee's staff adviser, at 202/296-9410.

Sincerely,

Lee B. Spencer, Jr.
Chairman, SIA Federal Regulation Committee

cc: Ruth W. Ainslie, Chair, Working Group
Robert B. Toomey, Federal Reserve Bank of New York

Footnotes:

¹ The Securities Industry Association brings together the shared interests of more than 770 securities firms throughout North America to accomplish common goals. SIA members -- including investment banks, brokers-dealers and mutual fund companies -- are active in all markets and in all phases of corporate and public finance. In the U.S. members collectively account for approximately 90 percent, or \$100 billion, of the securities firm's revenue and employ about 350,000 individuals. They manage the accounts of more than 50-million investors directly and tens of millions of investors indirectly through corporate, thrift and pension plans.