Securities Industry Association
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March 13, 2001

VIA Facsimile and U.S. Mail

Ms. Laura Unger
Acting Chairman
Securities and Exchange Commmission
450 Fifth Street, NW
Washington, DC 20549

Re: Request for Delay in Mandatory Compliance With Title II of the Gramm-Leach-Bliley Act

Dear Ms. Unger:

I am writing on behalf of the Bank Retail Broker/Dealer Committee of the Securities Industry Association. We write to request that the Securities and Exchange Commission delay the date for mandatory compliance with Title II, Subpart A of the Gramm-Leach-Bliley Act ("the GLB Act"), Pub. L. No.106-102. These provisions take effect on May 12, 2001. We are aware that the SEC staff has recently met with industry representatives to discuss the American Bankers Association's request to postpone the implementation of Title II. We support the ABA's request and want to make you aware of how the broker-dealer community is affect by Title II implementation.

The Title II provisions have a significant impact on many of our firms that are affiliated with banks. As you know, under the Title II of the GLB Act, banks lose their general exemption from the broker-dealer registration requirements under the Securities Exchange Act of 1934. In place of the general exemption, the GLB Act establishes a series of exceptions for banks and their employees who engage in certain traditional bank activities involving securities transactions. After May 12, 2001, a bank that engages in securities activities not covered by the GLB Act's exceptions will be required to shift those securities activities into an affiliated broker-dealer or to register the bank with the SEC as broker-dealer.

Because the GLB Act narrows the amount of permissible bank securities activities, and to avoid any chance of triggering broker-dealer registration, many banks have been, and will be, shifting various securities activities out of the bank and into their

affiliated broker-dealer. In that our firms are directly impacted by these changes, they have been working with their affiliated banks in restructuring their businesses to come into compliance with Title II. For each institution, this has meant carefully assessing all of the securities related services and products of the bank in light of the new categories of permissible activities.

This process has been somewhat difficult because no regulations have been issued implementing the new statutory scheme, and questions of interpretation of certain provisions have been raised by our bank counterparts. For instance, the SEC is aware of the questions that exist regarding the definition of, and method of calculation of "chiefly" compensated under the trust and fiduciary exception. Questions have also been raised about order taking activity under the safe keeping and custody exception and the definition of a "no-load' fund under the sweep accounts exception.

While these are issues of interpretation regarding permissible bank activities under the new exceptions to the Exchange Act, how they are resolved directly impacts affiliated broker-dealers. For instance, which fees count toward being chiefly compensated and the method of calculation itself determine what activities remain in the bank and what are "pushed out." In addition, until firms know all of the activities that are being pushed out, they will not be able to finalize their marketing and advertising material, which must be approved by the NASD. Thus, for some of our firms, until these interpretive issues are resolved, it is difficult for them to finalize their business models.

For our bank-affiliated firms, the Title II revisions also mean that they will be taking on new functions and employees, and new supervisory responsibilities. Our firms are in the process of setting up appropriate systems, but for some it is not yet certain what additional activities they will be supervising. Because these are issues that firms are now dealing with for the first time, it is not clear how these activities will be supervised or what degree of supervision is required. Only until they know all of the activities coming into the broker-dealer, will our firms be able to work out these issues.

For these reasons, we respectfully request that the SEC delay mandatory compliance with Title II of the GLB Act beyond May 12, 2001. Under this request, May 12, 2001 would be the beginning of a voluntary compliance period. This additional time for compliance will allow firms to resolve these new issues and to appropriately design their supervisory systems. Most significantly, the additional time will pose no harm to investors because it is simply a temporary extension of the status quo.

In sum, the changes brought by the GLB Act are historic and have significant practical effect on the industry. The relief we are requesting is appropriate and in essence a "one time fix" to allow the industry to adjust to the new statutory scheme.

If you have any questions, please contact Alan Sorcher at (202) 296-9410.

Sincerely,

Barry Harris
Chair
Bank Retail Broker-Dealer
Committee

cc: Annette Nazareth (Via Facsimile)
Robert L.D. Colby (Via Facsimile)
Catherine McGuire (Via Facsimile)
Lourdes Gonzalez (Via Facsimile)