



CHAIRMAN OF THE BOARD OF GOVERNORS  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

April 2, 1976

The Honorable Roderick Hills  
Chairman  
Securities and Exchange Commission  
Washington, D. C.

Ref: File No. 57-610

Dear Chairman Hills:

In my letter to you dated January 3, 1976, I stated that the Board of Governors was willing to assist in a survey of banking institutions in order to identify meaningful criteria for your proposed amendment to Article 3 of Regulation S-X dealing with concentrations of investments in the securities of a particular issuer. Subsequently, the Board's staff, with assistance from staff members of the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation, conducted a survey of selected banks registered with the three Federal bank regulatory agencies under the Securities Exchange Act of 1934, and of lead banks of selected bank holding companies registered with the Securities and Exchange Commission.

The results of that survey have led us to two conclusions. First, we believe that the Commission should adopt a disclosure threshold in any final regulation considerably higher than 5 per cent of equity capital, as was proposed. The evidence suggests that a 20 per cent cutoff would strike the best balance between reporting burden and meaningfulness of the data disclosed. Second, we believe that the term "issuer" as presently defined in the proposal is too broad and should be redefined to exclude, to the extent practicable, aggregations of securities that have independent sources of repayment. These conclusions are developed in some detail in the enclosed report.

I hope that these comments will be helpful to you. Please let me know if we can be of further assistance.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Arthur F. Burns".

Arthur F. Burns

Enclosure

Photocopy from Gerald R. Ford Library