

SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 240

[Release No. 34-48694; File No. S7-22-03]

RIN 3235-AI97

Supervised Investment Bank Holding Companies

AGENCY: Securities and Exchange Commission (the "Commission").

ACTION: Proposed rule.

SUMMARY: The Commission is proposing rules to implement Section 17(i) of the Securities Exchange Act of 1934, which created a new framework for supervising an investment bank holding company ("IBHC"). An IBHC that meets certain, specified criteria may voluntarily file a notice of intention with the Commission to become a supervised investment bank holding company ("SIBHC") and be subject to supervision on a group-wide basis. Pursuant to the statute and proposed rules, an IBHC would be eligible to be an SIBHC if it is not affiliated with certain types of banks and has a substantial presence in the securities markets. The proposed rules would provide an IBHC with a process to become supervised by the Commission as an SIBHC, and would establish regulatory requirements for an SIBHC, including requirements regarding its group-wide internal risk management control system, recordkeeping, and periodic reporting (including reporting of consolidated computations of allowable capital and risk allowances consistent with the Basel Standards). The Commission is also proposing to add an exemption to the Commission's risk assessment rules to exempt a broker-dealer that is affiliated with an SIBHC because the SIBHC will be maintaining records and reporting to the Commission regarding the financial and operational condition of members of the affiliate group. Finally, the Commission is proposing to adjust the audit requirements for OTC derivative dealers to allow accountants to use agreed-upon procedures when conducting audits of risk management control systems.

DATES: Comments must be received on or before February 4, 2004.

ADDRESSES: To help us process and review your comments more efficiently, comments should be sent by hard copy or by email, but not by both methods. Comment letters sent by hard copy should be submitted in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-

0609. Alternatively, comment letters sent electronically should be submitted to the following electronic-mail address: rule-comments@sec.gov. All comment letters should refer to File No. S7-22-03. This file number should be included in the subject line if you use electronic mail. We will make all comment letters available for public inspection and copying in our public reference room at the above address. We will post electronically submitted comment letters on the Commission's Internet Web site (<http://www.sec.gov>).¹

FOR FURTHER INFORMATION CONTACT:

With respect to general questions, contact Catherine McGuire, Chief Counsel, Lourdes Gonzalez, Assistant Chief Counsel, or Linda Stamp Sundberg, Attorney Fellow, at (202) 942-0073, Division of Market Regulation, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-1001.

With respect to calculations of allowable capital and risk allowances, internal risk management control systems, and books and records and reporting requirements, contact Michael A. Macchiaroli, Associate Director, at (202) 942-0132, Thomas K. McGowan, Assistant Director, at (202) 942-4886, Rose Russo Wells, Attorney, at (202) 942-0143, Bonnie L. Gauch, Attorney, at (202) 942-0765, or David Lynch, Financial Economist, at (202) 942-0059, Division of Market Regulation, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-1001.

SUPPLEMENTARY INFORMATION: The Securities and Exchange Commission is publishing for comment proposed amendments to Rule 17a-12 [17 CFR 240.17a-12] and Rules 17h-1T and 17h-2T [17 CFR 240.17h-1T and 240.17h-2T], and proposed new Rules 17i-1 through 17i-8 [17 CFR 240.17i-1 through 240.17i-8] under the Exchange Act [15 U.S.C. 78a *et seq.*]

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¹ We do not edit personal identifying information, such as names or electronic-mail addresses, from electronic submissions. You should submit only information that you wish to make publicly available.

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