

700 Corporation Law for State Banks and Trust Companies

**704 Procedures Governing the Establishment or Acquisition of a Subsidiary
Engaged in the Securities Business**

Formerly Regulation No.: 5.761.0004.P/A

Effective Date: July 31, 1989

1.0 Required Notice.

Every bank or bank and trust company which intends to acquire or establish a subsidiary that (1) engages in the sale, distribution or underwriting of stocks, bonds, debentures, notes or other securities; (2) acts as an investment advisor to any investment company; (3) conducts any activity for which the subsidiary is required to register with the Securities and Exchange Commission as a broker/dealer; or (4) engages in any other securities activity shall notify the Commissioner of such intent. Notice shall be in writing and must be received in the office of the Commissioner at least 60 days prior to consummation of the acquisition or commencement of the operation of the subsidiary, whichever is earlier. The bank or bank and trust company shall also notify the Commissioner in writing within 10 days after the consummation of the acquisition or commencement of the operation of the subsidiary, whichever is earlier. The 60-day notice requirement may be waived or shortened in the discretion of the Commissioner.

2.0 Contents of Notice.

The notice required by the first sentence of section 1.0 shall include the following information:

- 2.1 The corporate name of the subsidiary and, if different, the name in which it will conduct business.
- 2.2 The address location of the office of the subsidiary.
- 2.3 The amount of capital which the subsidiary will have upon acquisition or commencement of operations.
- 2.4 The name, address, age and current business occupation of the proposed directors and officers of the subsidiary.
- 2.5 A description of the proposed activities of the subsidiary including the specific type of securities which will be underwritten by the subsidiary.
- 2.6 The amount of outstanding capital stock of the subsidiary to be owned by the bank or bank and trust company.
 - 2.6.1 The notice required by section 1.0 shall also contain the written undertaking of the bank or bank and trust company to operate the subsidiary in accordance with all existing applicable laws and regulations, including the regulations, if applicable, of the Federal Deposit Insurance Corporation and the Securities and Exchange Commission, and such supplemental regulations as may be issued from time to time by the Commissioner.

3.0 Additional Notices.

Every bank or bank and trust company which owns a subsidiary engaged in the securities business shall provide additional notice to the Commissioner in the event the subsidiary commences any securities activity not disclosed in the notice provided pursuant to section 2.1 of this regulation. Any such notice must be received in the office of the Commissioner within 30 days after the subsidiary commences the new activity.

4.0 Capital.

The direct investment of a bank or bank and trust company in a subsidiary engaged in any of the activities described in paragraph (1) hereof will not be counted toward the capital of the bank or bank and trust company, provided, however, this paragraph shall not apply to the

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direct investment of a bank or bank and trust company in a subsidiary engaged only in those securities activities which would be permissible for an FDIC insured non-member bank under Sections 16 and 21 of the Glass-Steagall Act (12 U.S.C. 24 (Seventh) and 378).