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Report to the Chairman, Subcommittee on General Oversight and Investigations, Committee on Banking, Finance and Urban Affairs, House of Representatives

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BANK POWERS

Bank Holding Company Securities Subsidiaries' Market Activities Update

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The Honorable Carroll Hubbard
Chairman, Subcommittee on General
Oversight and Investigations
Committee on Banking, Finance
and Urban Affairs
House of Representatives

Dear Mr. Chairman:

This report updates certain information in our March 1990 report to you on the bank-ineligible securities activities of bank holding company subsidiaries.[1] The Board of Governors of the Federal Reserve System has authorized certain subsidiaries of bank holding companies to engage in limited amounts of bank-ineligible securities activities under Section 20 of the Glass-Steagall Act (12 U.S.C. sec. 377).[2] As requested by the Subcommittee in March 1991, we focused on obtaining recent data on the number of firms, the volume of their activities, and their assets, revenues, and capital. We are also providing you with information regarding certain regulatory revisions proposed by the Federal Reserve.

Results in Brief

As of March 1991, the Federal Reserve had authorized 35 banking organizations to set up Section 20 firms and each of these organizations had done so. Four Section 20 firms had ceased operations and two firms allowed their authority to lapse before beginning activities. Of the remaining 29 firms, 25 had engaged in bank-ineligible activities, one firm was not yet active in the bank-ineligible securities market (although it was active in the bank-eligible market), and three firms had not yet established their subsidiaries. Fifteen of the 25 had been active less than 2 years.

[1] Bank Powers: Activities of Securities Subsidiaries of Bank Holding Companies (GAO/GGD-90-48, Mar. 14, 1990).

[2] The Glass-Steagall Act prohibits banks that are members of the Federal Reserve System from underwriting and dealing in securities other than U.S. Government and general obligation bonds of states and municipalities and certain securities issued or insured by specified government agencies or instrumentalities and certain municipal revenue bonds issued for housing, university, or dormitory purposes (bank-eligible securities). However, Section 20 of the act permits member banks to affiliate with firms that are not principally engaged in securities activities generally forbidden to banks themselves. The Federal Reserve has authorized certain bank holding companies to set up Section 20 subsidiaries that can underwrite bank-ineligible securities, such as asset-backed securities and municipal revenue bonds.

As of year-end 1990, the total revenues of Section 20 subsidiaries represented 11 percent of the revenue of the securities industry. However, revenues from bank-ineligible activities represented slightly less than 5 percent of the Section 20 subsidiaries' total revenues. Capital of Section 20 firms amounted to about 6 percent of the securities industry's capital. And, eight of the Section 20 firms were among the top 50 securities firms in the United States when ranked by capital.

Background

In 1987, the Board began approving, on a case-by-case basis, applications from bank holding companies to establish Section 20 subsidiaries to underwrite and deal in one or more of four types of bank-ineligible securities—municipal revenue bonds, mortgage-related securities, asset-backed securities, and commercial paper. It did so under the authority of Section 20 of the Glass-Steagall Act, which permits a member bank to be affiliated with a securities firm that engages in otherwise impermissible securities activities so long as that firm is not principally engaged in these activities. The Board initially limited the revenues a Section 20 firm could generate from its bank-ineligible activities to 5 percent of its total revenue. The Board also set prudential limitations, called "firewalls," designed to insulate insured banks within the bank holding companies from the risks associated with the Section 20 subsidiaries' activities. In September 1989, the Board raised the ceiling on the revenue a Section 20 firm could generate from its bank-ineligible activities to 10 percent of its total revenue.

In January 1989, the Board began approving applications, on a case-by-case basis, from bank holding companies to underwrite and deal in corporate debt and equity securities through their Section 20 subsidiaries. These firms could not underwrite or deal in any corporate debt or equity issue until the Board had reviewed the Section 20 companies' managerial and operational infrastructure. The Board also placed a 1-year moratorium on equity securities activities (through January 1990) and imposed a tighter set of firewall restrictions.[3]

The Board examines Section 20 subsidiaries in conjunction with its inspection of the parent bank holding company. Section 20 inspections are conducted to determine whether policies and procedures are in place to ensure compliance with Board firewall conditions, to verify adherence to the Board's revenue limitation on ineligible securities activities, and to evaluate the subsidiary's financial condition and its impact on the

[3]A description of the firewalls is contained in GAO/GGD-90-48, pp. 94-106.

consolidated organization. The Board had completed inspections of 24 of the 29 Section 20 firms in existence as of June 1991. At that time, two of the remaining five firms had not yet commenced ineligible securities activities, and the Board had scheduled inspections of the other three. A Board official told us that, with one exception, the inspections had not identified material deficiencies or conflict-of-interest abuses associated with the Section 20 firms' activities. One inspection report highlights a violation of the Board's revenue limitation, but also notes that senior management had initiated corrective action prior to completion of the inspection.

Since our March 1990 report, the Board has proposed and issued for comment several modifications to its firewall restrictions. The proposed modifications included:

- Easing the prohibition on director interlocks between a Section 20 firm and its insured depository affiliates by allowing such interlocks as long as a majority of the board of directors of the Section 20 firm would not be composed of directors of affiliated depository institution(s). The complete prohibition of officer and employee interlocks would be replaced with a general statement requiring that the Section 20 firm not be managed or controlled by its affiliated depository institution(s) and that there not be a substantial overlap of personnel between the entities.
- Easing the restrictions on marketing activities by an insured bank on behalf of its affiliated Section 20 firm.
- Amending the restriction regarding a bank or thrift's purchase of financial assets from, or sale of assets to, its affiliated Section 20 firm. Currently, the firewalls prohibit such transactions except with respect to U.S. Treasury securities and direct obligations of the Canadian federal government that are not subject to repurchase or reverse repurchase agreements[4] between the Section 20 firm and its bank or thrift affiliate(s). This exemption would be extended to U.S. government agency securities and U.S. government-sponsored agency securities.
- Revising the restriction regarding investment advisory activities of bank holding companies. Currently, a bank holding company may not sell shares of investment companies that it or any of its subsidiaries are advising. The Board proposes permitting a bank holding company and its nonbank subsidiaries to broker shares of investment companies that it or any of its bank or nonbank subsidiaries are advising. Further, the

[4] A repurchase agreement is a contract to sell and subsequently repurchase securities at a specified date and price. A reverse repurchase agreement involves a purchase of securities by a dealer, with an agreement to resell the securities back at an agreed price at a later date.

Board proposes allowing a bank holding company and its nonbank subsidiaries to provide investment advice—with proper disclosure as to its role as adviser—to customers regarding the purchase and sale of shares of investment companies advised by a holding company affiliate.[5]

As of August 31, 1991, none of these proposed changes had been adopted.

Under the Securities Exchange Act of 1934, Section 20 companies must register as broker-dealers. As registered broker-dealers, they are subject to Securities and Exchange Commission (SEC) regulation, including the requirement to join an SEC-approved industry self-regulatory organization. These entities carry out the day-to-day regulation of broker-dealers, and have the responsibility of determining whether broker-dealers are conducting their activities properly. Section 20 firms are members of either the New York Stock Exchange or the National Association of Securities Dealers. The former entity has taken no disciplinary actions against any Section 20 firm registered with it, and the latter has taken one disciplinary action against a Section 20 company registered with it. The disciplinary action, taken on November 2, 1990, was to correct problems associated with filing appropriate reports with the regulators. The disciplinary action did not result in criminal convictions against the Section 20 firm.

Thirty-Five Organizations Authorized to Set Up Section 20 Subsidiaries

As of May 31, 1991, the Board had authorized 35 banking organizations—24 U.S. bank holding companies and 11 foreign banks—to set up Section 20 firms. (See appendix, table I.1.) The 24 U.S. bank holding companies include 8 money-center organizations and 16 regional organizations. These 35 firms had been authorized to engage in bank-ineligible activities as of March 31, 1991.

As of March 31, 1991, the last reporting period for which we obtained market statistics, four organizations—three U.S. and one foreign—had ceased the operations of their Section 20 firms. Two firms allowed their authority to engage in bank-ineligible activities to lapse before they began such activities. Three firms had not yet set up their Section 20

[5]Federal Reserve System, Docket No. R-0701: "Review of Restrictions on Director and Employee Interlocks, Cross-Marketing Activities and the Purchase and Sale of U.S. Government Agency Securities, Contained in the Board's Section 20 Securities Order," July 3, 1990 (announced in the Federal Register, Vol. 55, No. 132 on July 10, 1990, pp. 28295-6), and Federal Reserve System, 12 CFR Part 225, Regulation Y; Docket No. R-0698: "Bank Holding Companies and Change in Bank Control; Investment Adviser Activities," June 19, 1990 (announced in the Federal Register, Vol. 55, No. 122 on June 25, 1990, pp. 25849-50).

subsidiaries. Of the remaining 26 firms, 25 were engaged in bank-ineligible securities activities. Twenty-one firms were active in underwriting during the quarter ending March 31, 1991. One firm was not yet active in the bank-ineligible securities market but did conduct bank-eligible securities activities. (See appendix, table I.2.)

Total capital held by Section 20 firms increased from $1.8 billion in 16 established firms as of September 30, 1989, to $2.4 billion in 26 established firms as of March 31, 1991, an increase of about 33 percent. (See appendix, table I.3.) The capitalization of some Section 20 firms placed them among the larger securities firms registered with the Securities and Exchange Commission. When ranked according to capital, 8 of the Section 20 firms were among the top 50 securities firms at year-end 1990, the latest date for which industry data are available. Three of these 8 Section 20 firms ranked among the 25 largest securities firms.

In terms of either capital or assets, however, most but not all Section 20 firms are small relative to the size of the parent holding company. (See appendix, tables I.4 and I.5.) One half of the firms hold an amount equivalent to less than 1 percent of the capital held by their parents. At the highest range, 3 hold an amount equivalent to 8 to 12 percent of the parent's capital. Over half of the Section 20 subsidiaries (17) represent less than 1 percent of their parents' assets; at the highest range, 2 firms represent between 10 and 23 percent.

Securities Market Activities of Section 20 Subsidiaries

As of March 31, 1991, 26 bank holding companies were operating Section 20 firms. (See appendix, table I.2.) Of these 26 firms, 4 had been active since the second quarter of 1988 when Section 20 firms first started their underwriting activities. Over half (15) of them had been active less that 2 years, including 10 firms that had been active less than 1 year.

The Section 20 firms have continued to establish, and in some cases increase, their market presence through their authorized bank-ineligible activities. As a group, they have been active in all securities markets associated with the expanded powers authorized for Section 20 firms. However, individual firms have been selective about the markets they have entered.

The total volume of underwriting activity in the bank-ineligible securities of these firms grew from $21 billion in the third quarter of 1989 to $33 billion in the first quarter of 1991. (See appendix, table I.6.) Section

20 firms were most active, in terms of volume, in commercial paper and debt underwriting. (See appendix, table I.7.)

Section 20 firms' total revenue from bank-ineligible and bank-eligible activities totaled $1.7 billion in the first quarter of 1991. (See appendix, table I.8.) Revenue generated from bank-ineligible activities totaled $83 million, or slightly less than 5 percent of the total revenue during the period. Section 20 firms' share of the securities industry's total revenues had reached 11 percent as of year-end 1990. (See appendix, table I.9.)

Section 20 subsidiaries' market shares of individual bank-ineligible products varied but did not exceed 11 percent during the first quarter of 1991. (See appendix, table I.10.) The largest shares appear to be in the markets for asset-backed securities (10.4 percent) and municipal revenue bonds (6.1 percent).

Objectives, Scope, and Methodology

In keeping with the nature of the request, the principal objective of our work was to update certain information in our March 1990 report on the bank-ineligible securities underwriting activities of bank holding company subsidiaries. We obtained information on the underwriting activities of the Section 20 firms active in the securities markets during the period July 1989 through March 1991. These data were provided by the firms and have not been verified by us. We also interviewed Federal Reserve officials and obtained information from the National Association of Securities Dealers concerning any regulatory problems arising from Section 20 subsidiaries.

We discussed the contents of this report with agency officials, who generally agreed with the information we provided. Agency officials' views have been incorporated into this report as appropriate. Our work was done in accordance with generally accepted government auditing standards between March 1991 and July 1991.

As arranged with the Subcommittee, we are sending copies of this report to the House and Senate Banking Committees and the House Committee on Energy and Commerce. Copies will also be made available to others upon request.

If you have any questions, please contact me on (202) 275-8678. Major contributors to this report were Alison Kern, Assistant Director; Edward S. Wroblewski, Senior Evaluator; and Gayle L. DeLong, Evaluator.

Sincerely yours,

Craig A. Simmons
Director, Financial Institutions
and Markets Issues

Contents

Abbreviations

SEC	Securities and Exchange Commission

Market Activities of Section 20 Firms

This appendix provides a list of Section 20 firms, their assets and capital, and the types and levels of bank-ineligible activities done by established firms during the period July 1989 through March 1991. We define "established firms" as those having capital; they may or may not have engaged in bank-ineligible activities. The quarters referred to in the tables are calendar year quarters.

Table I.1: Bank Holding Companies That Have Been Authorized to Establish Section 20 Subsidiaries Through May 31, 1991

Bank holding company	Headquarters	Section 20 subsidiary
Money-center		
Bankers Trust New York Corp.	NY	BT Securities Corp.
Chase Manhattan Corp.	NY	Chase Securities, Inc.
Chemical Banking Corp.	NY	Chemical Securities, Inc.
Citicorp	NY	Citicorp Securities Markets, Inc.
First Chicago Corp.	IL	First Chicago Capital Markets, Inc.
JP Morgan & Co., Inc.	NY	JP Morgan Securities, Inc.
Manufacturers Hanover Corp.	NY	Manufacturers Hanover Securities Corp.
Security Pacific Corp.	CA	Security Pacific Securities, Inc.
Regional		
Banc One Corp.	OH	Banc One Capital Corp.
Bank of Boston Corp.	MA	BancBoston Securities, Inc.[a]
Bank of New England Corp.	MA	BNE Capital Markets, Inc.[a]
Barnett Banks, Inc.	FL	Barnett Brokerage Service, Inc.
C&S/Sovran Corp.	VA	Sovran Investment Corp.
CoreStates Financial Corp.	PA	CoreStates Securities, Inc.[b]
First Interstate Bancorp.	CA	First Interstate Capital Markets, Inc.[b]
First Union Corp.	NC	First Union Securities, Inc.
Fleet/Norstar Financial Corp.	RI	Fleet/Norstar Securities, Inc.
Huntington Bancshares, Inc.	OH	The Huntington Company[a]
Liberty National Bankcorp	KY	Liberty Investment Services, Inc.
Marine Midland Banks, Inc.	NY	Marine Midland Capital Markets Corp.
NCNB Corp.	NC	NCNB Capital Markets, Inc.
Norwest Corp.	MN	Norwest Investment Services, Inc.
PNC Financial Corp.	PA	PNC Securities Corp.
SouthTrust Corp.	AL	SouthTrust Securities, Inc.

(continued)

Bank holding company	Headquarters	Section 20 subsidiary
Foreign		
Amsterdam-Rotterdam Bank NV	Netherlands	Amro Securities, Inc.
Bank of Montreal	Canada	Nesbitt Thomson Securities, Inc.
Barclays Bank PLC	Great Britain	Barclays de Zoete Wedd Securities, Inc.
Canadian Imperial Bank of Commerce	Canada	Wood Gundy Corp.
Dai-Ichi Kangyo Bank Ltd.	Japan	DKB Securities Corp.
The Long-Term Credit Bank of Japan, Ltd.	Japan	Greenwich Capital Markets, Inc.
The Royal Bank of Canada	Canada	RBC Dominion Securities, Corp.
Sanwa Bank, Ltd.	Japan	Sanwa-BGK Securities Company, LP
The Bank of Nova Scotia	Canada	ScotiaMcLeod (USA), Inc.
Toronto Dominion Holdings (USA), Inc.	Canada	Toronto Dominion Securities (USA), Inc.
Westpac Banking Corp.	Australia	Westpac Pollock Government Securities, Inc.[a]

[a]Section 20 firm has ceased operations.

[b]Authority of Section 20 firm lapsed before firm was established; the bank holding company must re-apply to the Federal Reserve in order to engage in Section 20 bank-ineligible activities.

Source: Federal Reserve.

Table I.2: Status of Section 20 Subsidiaries Authorized as of March 31, 1991

Section 20 subsidiary	Date authorized	Ineligible activity commenced
BT Securities Corp.	Apr. 87	2nd quarter 1988
Chemical Securities, Inc.	May 87	2nd quarter 1988
Citicorp Securities Markets, Inc.	Apr. 87	2nd quarter 1988
JP Morgan Securities, Inc.	Apr. 87	2nd quarter 1988
Chase Securities, Inc.	May 87	3rd quarter 1988
Manufacturers Hanover Securities Corp.	May 87	3rd quarter 1988
Marine Midland Capital Markets Corp.	July 87	3rd quarter 1988
Fleet/Norstar Securities, Inc.	Oct. 88	4th quarter 1988
The Huntington Company	Nov. 88	4th quarter 1988[a]
First Chicago Capital Markets, Inc.	Aug. 88	1st quarter 1989
PNC Securities Corp.	July 87	1st quarter 1989
BNE Capital Markets, Inc.	July 87	1st quarter 1989[a]
Westpac Pollock Government Securities, Inc.	Mar. 89	2nd quarter 1989[b]
Security Pacific Securities, Inc.	May 87	3rd quarter 1989
SouthTrust Securities, Inc.	July 89	3rd quarter 1989
First Union Securities, Inc.	Aug. 89	4th quarter 1989

(continued)

Section 20 subsidiary	Date authorized	Ineligible activity commenced
Barnett Brokerage Service, Inc.	Jan. 89	4th quarter 1989
Norwest Investment Services, Inc.	Dec. 89	1st quarter 1990
BancBoston Securities, Inc.	Aug. 88	1st quarter 1990[c]
NCNB Capital Markets, Inc.	May 89	2nd quarter 1990
Toronto Dominion Securities (USA), Inc.	May 90	2nd quarter 1990
Banc One Capital Corp.	July 90	3rd quarter 1990
Liberty Investment Services, Inc.	Apr. 90	3rd quarter 1990
RBC Dominion Securities Corp.	Jan. 90	3rd quarter 1990
Sanwa-BGK Securities Company, LP	May 90	3rd quarter 1990
Wood Gundy Corp.	Jan. 90	3rd quarter 1990
Sovran Investment Corp.	Feb. 90	3rd quarter 1990
Barclays de Zoete Wedd Securities, Inc.	Jan. 90	4th quarter 1990
Greenwich Capital Markets, Inc.	May 90	4th quarter 1990
Nesbitt Thomson Securities, Inc.	May 88	[d]
First Interstate Capital Markets, Inc.	Oct. 87	[e]
CoreStates Securities, Inc.	Oct. 88	[e]
ScotiaMcLeod (USA), Inc.	Apr. 90	[f]
Amro Securities, Inc.	June 90	[f]
DKB Securities Corp.	Jan. 91	[f]

[a]Ceased activities 1st quarter 1991.

[b]Ceased activities 2nd quarter 1990.

[c]Ceased activities 3rd quarter 1990.

[d]Section 20 firm established, but has not engaged in bank-ineligible activities.

[e]Section 20 firm authority lapsed before firm became active.

[f]Section 20 firm not yet established.

Sources: Federal Reserve and GAO analysis of data collected from Section 20 firms.

Table I.3: Section 20 Firms' Share of Securities Industry Capital (September 30, 1989 to March 31, 1991) (Unaudited)

Dollars in millions

	1989		1990				1991
	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31
Number of Section 20 firms	16	17	19	21	26	27	26
Section 20 firms' capital	$1,787	$2,037	$1,943	$2,012	$2,171	$2,636	$2,417
Securities industry total capital	$49,089	$49,069	$46,644	$46,966	$46,110	$45,572	[a]
Section 20 firms' share of industry of total capital	3.65%	4.15%	4.17%	4.28%	4.71%	5.78%	[a]

Note 1: Capital includes stockholders' equity and subordinated debt.

Note 2: Two firms were unable to provide us information on capital. Their capital, however, is included in total industry data.

[a]Not available

Sources: Securities and Exchange Commission and GAO analysis of data provided by Section 20 firms.

Table I.4: Section 20 Firms' Capital Compared to Parent Holding Company Capital as of March 31, 1991 (Unaudited)

Percent range	Number of Section 20 firms
Less than 1 percent	13
1 percent to 2.9 percent	6
3 percent to 5.9 percent	4
6 percent to 7.9 percent	0
8 percent to 12 percent	3
Total	**26**

Note 1: Section 20 firms' capital includes stockholders' equity; parent capital is the equity of the consolidated holding company, excluding the total capital held by its Section 20 firm.

Note 2: This table includes one established Section 20 firm that had not begun bank-ineligible securities. The table excludes four Section 20 firms that had ceased their operations as of March 31, 1991; three bank holding companies that were authorized to have Section 20 firms, but had not yet established them; and two bank holding companies that allowed their authority to establish Section 20 firms to lapse before beginning operations.

Source: GAO analysis of data provided by Section 20 firms.

Table I.5: Section 20 Firms' Assets as a Percent of Parents' Assets as of December 31, 1990 (Unaudited)

Percent range	Number of Section 20 firms
Less than 1 percent	17
1 percent to 4.9 percent	5
5 percent to 9.9 percent	3
10 percent to 23 percent	2
Total	**27**

Note: This table includes one established Section 20 firm that had not begun bank-ineligible securities. The table excludes two Section 20 firms that had ceased their operations as of December 31, 1990; two bank holding companies that were authorized to have Section 20 firms, but had not yet established them; one firm whose assets we were unable to compare to its parent's assets since its parent—due to bankruptcy—was not required to make public its assets; one firm that was not then authorized as a Section 20 firm; and two bank holding companies that allowed their authority to establish Section 20 firms to lapse before beginning activities.

Sources: Data on the assets of the Section 20 firms come from GAO analysis of information provided by Section 20 firms. Data on the assets of the bank holding companies come from the American Banker, April 18, 1991, pp. 8 and 10, and July 26, 1991, p. 26A.

Table I.6: Volume of Bank-Ineligible Securities Underwritten by Section 20 Firms (July 1, 1989 to March 31, 1991) (Unaudited)

Dollars in millions

Period	Number of firms participating in market during quarter	Volume
3rd quarter 1989	11	$21,049
4th quarter 1989	12	24,461
1st quarter 1990	14	26,578
2nd quarter 1990	15	26,009
3rd quarter 1990	21	30,670
4th quarter 1990	22	32,645
1st quarter 1991	21	33,145

Note 1: The securities include municipal revenue bonds, mortgage-backed securities, asset-backed securities, commercial paper, debt and equity underwritings, and other bank-ineligible products. Except for commercial paper, we report the volume of the product throughout the given period. Data for commercial paper reflect the amount outstanding at the end of each period because issues are often short-term and frequently rolled over. In keeping with the industry norm, therefore, we report the commercial paper amounts as of the end of each period.

Note 2: Two firms were unable to provide us information on ineligible volume.

Source: GAO analysis of data provided by Section 20 firms.

Table I.7: Section 20 Firms' Volume of Selected Bank-Ineligible Securities (July 1, 1989 to March 31, 1991) (Unaudited)

Dollars in millions

Period	Municipal revenue bonds	Mortgage-backed securities	Asset-backed securities	Commercial paper[a]	Debt underwritten
1989					
3rd quarter	$622	$575	$209	$18,538	$671
4th quarter	736	448	1,188	18,419	2,249
1990					
1st quarter	820	476	1,682	20,166	2,312
2nd quarter	784	639	343	20,539	1,615
3rd quarter	1,091	504	1,057	23,545	1,366
4th quarter	1,102	220	766	23,810	3,636
1991					
1st quarter	1,093	208	1,183	24,684	4,155

Note: Two firms were unable to provide us with the requested data.

[a]Data for commercial paper reflect the amount outstanding at the end of the period, because issues are often short-term and frequently rolled over. In keeping with the industry norm, therefore, we report the commercial paper amounts as of the end of the period.

Source: GAO analysis of data provided by Section 20 firms

Table I.8: Section 20 Firms' Revenues From Bank-Eligible and Bank-Ineligible Activities (July 1, 1989 to March 31, 1991) (Unaudited)

Dollars in millions

Period	Number of Section 20 firms	Eligible revenues	Ineligible revenues	Gross revenues	Ineligible as a percent of gross revenues
1989					
3rd quarter	16[a]	$1,440	$24	$1,464	1.6%
4th quarter	17[a]	1,333	49	1,382	3.5
1990					
1st quarter	19[b]	1,347	25	1,374	1.8
2nd quarter	21[c]	1,329	62	1,391	4.5
3rd quarter	26[a]	1,628	81	1,713	4.7
4th quarter	27[d]	1,809	90	1,902	4.8
1991					
1st quarter	26[d]	1,657	83	1,740	4.8

Note: Two firms were unable to provide us information on revenues.

[a]One firm could not provide us with revenue data for this quarter, and two firms had revenue from eligible securities but did not participate in the bank-ineligible market.

[b]Two firms had no income from bank-ineligible activity.

[c]Three firms had no income from bank-ineligible activity.

[d]One firm had no income from bank-ineligible activity, and one firm could not provide revenue data for this quarter.

Source: GAO analysis of data provided by the Federal Reserve and the Section 20 firms.

Table I.9: Section 20 Firms' Total Revenues Generated From Bank-Eligible and Bank-Ineligible Activities as a Percent of Securities Industry's Total Revenues (July 1, 1989 to March 31, 1991) (Unaudited)

Dollars in millions

	3rd quarter 1989	4th quarter 1989	1st quarter 1990	2nd quarter 1990	3rd quarter 1990	4th quarter 1990	1st quarter 1991
Section 20 firms' total revenues	$1,464	$1,382	$1,374	$1,391	$1,713	$1,902	$1,740
Securities industry total revenues	$19,126	$18,332	$17,307	$18,138	$16,906	$17,270	[a]
Section 20 firms' share of industry total revenues	7.7%	7.5%	7.9%	7.7%	10.1%	11.0%	[a]

Note: Two firms were unable to provide us information on revenues. Their revenues, however, are included in total industry data.

[a]Not available.

Sources: Securities and Exchange Commission and GAO analysis of data provided by Section 20 firms.

'able I.10: Market Share of Section 20 ;ubsidiaries for Selected Bank-Ineligible ;ecurities (First Quarter 1991) (Unaudited)

Dollars in millions

Securities	Total market volume	Section 20 volume	Section 20 market share
Mortgage-backed securities	$41,025	$208	0.5%
Municipal revenue bonds	18,073	1,093	6.1
Asset-backed securities	11,403	1,183	10.4
Commercial paper[a]	566,069	24,684	4.4
Debt underwriting	94,200	4,155	4.4

Note: Two firms were unable to provide us information on product volume.

[a]Data for commercial paper reflect the amount outstanding at the end of the period, because issues are often short-term and frequently rolled over. In keeping with the industry norm, therefore, we report the commercial paper amounts as of the end of the period.

Sources: IDD, Investment Dealers Digest, April 1, 1991; Federal Reserve; and GAO analysis of data provided by Section 20 firms.

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