

NR 98-49
May 4, 1998

OCC Assesses Penalty Against NationsBank, Praises Inter-Agency Cooperation

WASHINGTON, D.C. -- The Office of the Comptroller of the Currency (OCC), the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers Regulation, Inc. (NASD-R), today announced the institution and simultaneous settlement of enforcement actions against NationsBank, N.A., Charlotte, N. C.; NationsSecurities, Inc., a registered broker-dealer and subsidiary of the bank; and three individuals associated with the bank and the securities unit.

In settling the charges brought by the OCC, the bank, without admitting or denying the OCC's findings, consented to a civil money penalty of \$750,000 for failing to comply with a condition imposed by the OCC -- and representations made by the bank -- at the time it acquired NationsSecurities. Those conditions and representations required the bank to ensure that NationsSecurities did not market securities through the bank in a manner that would mislead customers regarding whether the securities were insured by the Federal Deposit Insurance Corporation or guaranteed by either the bank or NationsSecurities. By failing to comply with the condition and representation, the bank failed to adhere to OCC standards on retail nondeposit investment sales contained in OCC Banking Circular 274.

"These coordinated enforcement actions reflect cooperation by all the regulatory agencies involved and underscore our commitment to ensure that bank sales of investment products are conducted through responsible sales practices, including appropriate disclosures," said acting Comptroller of the Currency Julie L. Williams. "We want to thank the SEC and the NASD-R for all their work on this case."

Ms. Williams noted that the OCC issued guidance in 1993 requiring national banks and their affiliates to make clear that securities are not backed by federal deposit insurance or guaranteed by the bank.

The bank and NationsSecurities have developed policies and procedures, and taken other actions to correct the deficiencies that led to the violations.

The SEC assessed a civil money penalty of \$4,000,000 against NationsSecurities, for improperly marketing and selling securities issued by two closed-end bond funds in violation of several provisions of the federal securities laws. The SEC, which is the primary regulator for NationsSecurities, said in its order that the securities unit engaged in materially false and misleading sales practices which culminated in unsuitable purchases by investors of the Term

Trusts. In addition, the SEC censured both the bank and NationsSecurities, and entered cease and desist orders against both.

The NASD-R also levied significant fines and imposed suspensions against Jamie Atkinson, Charles R. King, and Daniel R. Wroble, who were associated with NationsSecurities. The OCC obtained Commitment Letters from Mr. Atkinson and Mr. King in which the two agreed not to engage in securities sales activities at insured depository institutions during the period of their NASD-R suspensions. The OCC entered into an Order with Mr. Wroble (who was an employee of the bank during the relevant time period) that prohibits him from engaging in securities sales activities at any insured depository institution during the period of his NASD-R suspension.

In April, 1993, the OCC authorized the bank to acquire an operating subsidiary, which together with the Dean Witter securities firm, controlled NationsSecurities. The OCC's approval letter imposed conditions intended to ensure that securities products sold by NationsSecurities were not marketed through the bank in a manner that would deceive or confuse customers as to the uninsured nature of the products or the lack of a bank guarantee.

The OCC guidance to national banks concerning mutual funds, annuities, and other retail nondeposit investments was released in July, 1993. OCC Banking Circular 274 (concerning Retail Sales of Nondeposit Investment Products) stressed that banks must develop programs and procedures to apprise customers of the nature of nondeposit investments and advised banks that they were expected to comply with all applicable laws, rules, and regulatory conditions in a bank-related sale of these products. This circular stated that to avoid customer confusion, banks must disclose conspicuously that the products offered: (1) are not FDIC insured; (2) are not obligations of the bank; (3) are not guaranteed by the bank; and (4) involve investment risk, including the possible loss of principal.

#

The OCC charters, regulates and examines approximately 2,600 national banks and 66 federal branches and agencies of foreign banks in the United States, accounting for 58 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.